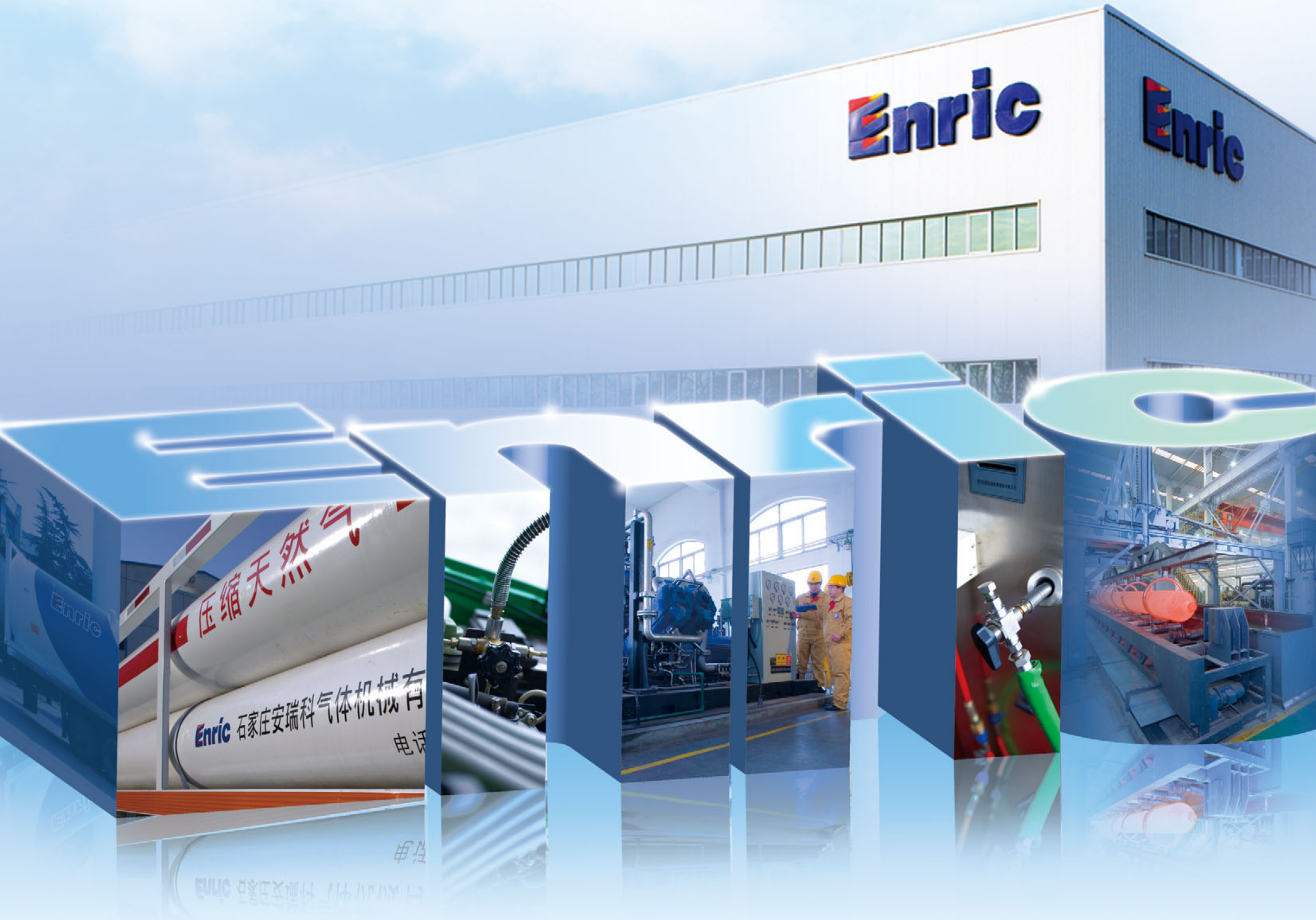
安瑞科能源裝備控股有限公司

Enric Energy Equipment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3899



ANNUAL REPORT

2008

A leading specialised energy equipment manufacturer and integrated business solutions provider in the PRC

Enric Energy Equipment Holdings Limited

ANNUAL REPORT 2008

Contents

Growth in challenges

We will build on our dedication, diligence and solid fundamentals to tackle every future challenge and attain long-term growth

On behalf of Enric Energy Equipment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to shareholders the annual results of the Group for the year ended 31 December 2008.

RESULTS OF THE YEAR

In 2008, enterprises over the world were facing unprecedented challenges caused by the global financial crisis.

We reported a drop in profit in the first half of the year due to a decline in sale of compressed natural gas ("CNG") refueling stations and the continuous surge of raw material prices. Nevertheless, the prompt and active strategies and remedial measures taken by our management and the great effort of our devoted staff have brought remarkable growth in both turnover and net profit for the full year of 2008.

Net profit attributable to equity shareholders for the year rose to RMB134,407,000 from RMB118,876,000 for 2007, representing a rise of 13.1%. Basic and diluted earnings per share were both RMB0.293 (2007: RMB0.264 and RMB0.260 respectively).

Turnover increased by 31.5% to RMB1,237,280,000 during the year (2007: RMB940,991,000). All of the three business segments delivered satisfactory results, among which the pressure vessels segment recorded the strongest growth of 43.3% to RMB769,929,000 from RMB537,255,000 for the previous year. Turnover of the segment of integrated business solutions ("IBS") was up 20.8% to RMB292,525,000 (2007: RMB242,129,000) as a result of the increase in sales of Series 2000 Hydraulic Power Unit ("HPU") debuted in 2007. The compressors segment saw an increase in turnover of 8.2% to RMB174,826,000 (2007: RMB161,607,000) despite severe market competition.

The significant growth in profit we achieved in spite of the economic downturn in the year is attributable to our proactive marketing strategies to boost sales and the upwards price adjustment of certain products. On the back of our assurance of product and service quality, our customers are generally willing to accept a reasonable price increase. At the same time, we have put in place more effective costs and expenses controls to avoid unnecessary spending.

Our efforts at expanding the overseas markets were rewarded as well. Export sales reached a record high of RMB240,740,000, rocketing of 240.0% over 2007. Products were sold to various countries and regions, including Indonesia, Pakistan, Taiwan, Thailand, the U.S. and Vietnam.

FUTURE PLAN AND STRATEGIES

In an unfavourable and uncertain business environment, customers tend to adopt an extra prudent approach in capital expenditure. We will continue to boost sales and attract new customers by active marketing strategies. One of the strategies is the provision of referral service for finance lease to customers. This could help relieving their financial concern when purchasing our products.

We will, as usual, strive to broaden the overseas market with a special focus on Asia and the U.S. Although uncertainties exist in these markets under the deepening economic slowdown, we will continue to explore new markets and export more kinds of products to balance business risks. Under stringent entry barrier and technological requirements, eligible players in the field are limited. Given that our products are certified by the American Society of Mechanical Engineers ("ASME") and the U.S. Department of Transportation ("DOT"), combined with competitive pricing strategy and good reputation, we enjoy a prime position in export.

We will maintain strong research and development ("R&D") capability of product innovation and enhancement to cater for changing market needs in a timely manner and secure our leading position in the industry. The development of large-volume, light-weight composite cylinders has made significant progress and is expected to be an unparalleled product in the market once launched.

By the end of 2008, the annual output of seamless pressure cylinders reached approximately 10,000 units. We plan to increase it to approximately 12,000 units in 2009 and will be more mindful of investment in capital expenditure.

On 28 August 2008, we entered into an equity transfer agreement with certain parties under which we agreed to acquire an aggregate of 80% of interests in Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu", 荊門宏圖特種飛行器製造有限公司). Hongtu has established a sound record in the manufacture and sale of specialised transportation equipment, in particular, liquefied gas trucks and chemicals trucks. We believe we will benefit from the synergy brought in terms of sales and marketing network, market share, manufacturing technologies and economy of scale, and have our business in liquefied gas storage and transportation equipment sector further strengthened. The acquisition is scheduled to be completed in 2009.

Our acquisitions of certain storage and transportation equipment companies in China and Europe from the controlling shareholder, China International Marine Containers (Group) Co., Ltd. ("CIMC", 中國國際海運集裝箱(集團)股份有限公司), is also in progress. We wish that, upon completion, we will benefit from the operational economy of scale and the cross-selling opportunities created through the expanded sales networks and market segments, and be able to expand our business to different industries, such as liquid goods and chemicals, to mitigate the risks of business fluctuations.

We are rooted in the energy equipment industry embraced by supportive long-term policies of the PRC government, in particular, on accelerating the use of natural gas, which is likely to provide a shelter in the current financial tsunami.

The year ahead will be full of challenges yet our roadmap objectives to become a world leading energy equipment manufacturer and integrated business solutions provider remain concrete. I am confident that the dedication of our staff, our solid fundamentals, a diligent approach to business, and the promising industry we are positioned in, lay a solid groundwork from which we can overcome these challenges, and attain long-term growth.

APPRECIATION

I would like to take this opportunity to express my sincere thanks to all employees for their dedication and good work, without which we would not have achieved the remarkable results in 2008. My appreciation goes to our loyal customers and shareholders as well for their continuing support and confidence in us.

Zhao Qingsheng
Chairman

Hong Kong, 20 March 2009

Financial Summary

	For the year ended 31 December					
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	**1,237,280**	940,991	769,952	513,014	252,376	68,943
Profit from operations	**167,328**	135,887	117,290	78,402	46,461	15,051
Main Board listing expenses	**–**	–	(6,822)	–	–	–
Finance costs	**(9,749)**	(11,716)	(8,677)	(7,814)	(6,082)	(4,444)
Profit before taxation	**157,579**	124,171	101,791	70,588	40,379	10,607
Income tax	**(23,172)**	(5,295)	(5,287)	(1,882)	(1,815)	–
Profit for the year	**134,407**	118,876	96,504	68,706	38,564	10,607
Attributable to:						
Equity shareholders of the Company	**134,407**	118,876	96,504	68,706	36,191	10,607
Minority interests	**–**	–	–	–	2,373	–
	134,407	118,876	96,504	68,706	38,564	10,607
Earnings per share						
– basic	**RMB0.293**	RMB0.264	RMB0.217	RMB0.225	RMB0.139	RMB0.041
– diluted	**RMB0.293**	RMB0.260	RMB0.212	RMB0.224	N/A	N/A

	As at 31 December					
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000	2003 RMB'000
Total assets	**1,440,495**	1,060,915	906,193	722,957	319,787	204,211
Total liabilities	**(660,246)**	(415,073)	(400,669)	(317,699)	(266,026)	(164,045)
Net assets	**780,249**	645,842	505,524	405,258	53,761	40,166

Financial Highlights

	As at 31 December		
	2008 RMB'000	2007 RMB'000	+/–
FINANCIAL POSITION			
Total assets	**1,440,495**	1,060,915	35.8%
Net assets	**780,249**	645,842	20.8%
Net current assets	**458,691**	366,902	25.0%
Cash balances	**243,405**	273,875	-11.1%
Bank loans	**166,803**	140,899	18.4%
Gearing ratio[1]	**21.4%**	21.8%	-0.4%

	For the year ended 31 December		
	2008 RMB'000	2007 RMB'000	+/–
OPERATING RESULTS			
Turnover	**1,237,280**	940,991	31.5%
Gross profit	**329,549**	254,478	29.5%
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**194,294**	154,445	25.8%
Profits from operations	**167,328**	135,887	23.1%
Profit attributable to equity shareholders	**134,407**	118,876	13.1%
PER SHARE DATA			
Earnings per share – basic	**RMB0.293**	RMB0.264	11.0%
Earnings per share – diluted	**RMB0.293**	RMB0.260	12.7%
Net asset value per share	**RMB1.700**	RMB1.407	20.8%
KEY STATISTICS			
GP ratio	**26.6%**	27.0%	-0.4%
EBITDA margin	**15.7%**	16.4%	-0.7%
Operating profit margin	**13.5%**	14.4%	-0.9%
Net profit margin	**10.9%**	12.6%	-1.7%
Return on equity[2]	**17.2%**	18.4%	-1.2%
Interest coverage – Times	**14.7**	12.1	2.6
Inventory turnover days[3]	**152**	120	32
Debtor turnover days	**69**	51	18
Creditor turnover days	**87**	75	12
KEY OPERATIONAL DATA (units sold)			
CNG trailers and CSG trailers	**414**	396	4.5%
Seamless pressure cylinders	**2,236**	484	362.0%
LNG trailers and tanks	**65**	65	0.0%
LPG tank trucks	**139**	97	43.3%
CNG refueling system			
– Hydraulic power units	**81**	56	44.6%
– Refueling station trailers	**147**	123	19.5%
Natural gas compressors	**125**	120	4.2%
Special-purpose compressors	**165**	159	3.8%

1 Gearing ratio = Bank loans / Total equity
2 Return on equity = Net profit / Total equity
3 Excludes inventory in-transit

Healthy industry

Proportion of natural gas in the PRC's primary energy consumption pie is set to reach 6% by 2010 and 10% by 2020 from the current 2.7%

INDUSTRY OVERVIEW

A worsening global economic downturn, if not recession, is expected by most national governments and economists. Many countries are estimated to record a low, or even negative, GDP growth rate for 2009 although the PRC government targets at 8%. Global business environment is becoming more unfavourable. In long run, however, the outlook of energy equipment industry remains broadly positive.

The PRC government's determination to establish a diversified, balanced and clean energy portfolio remains strong and intact with an aim to safeguard the sustainable and environmental-friendly development of the country. One of the key measures is to lessen its heavy reliance on coal and oil and boost the use of clean energy. Natural gas, a green and economical resource, has long been recognised as the first choice for energy diversification. The PRC government targets to increase the proportion of natural gas in the overall primary energy consumption mix to 6.0% (or 93.8 bcm) by 2010 and 10% (or 203.7 bcm) by 2020 from the current 2.7% (or 55.6 bcm), signifying huge development potential for the natural gas market. In 2007, total consumption of the gas in the PRC amounted to 67.3 bcm, a jump of 98.5% in five years' time.

The government has opened various accesses to gas sources. Natural gas is imported from Australia and more imports are scheduled from Russia and central Asian countries in piped or liquefied form. The country's three oil and gas giants have made significant progress in exploiting local gas fields. The huge investment in natural gas storage and transportation infrastructure by the government is gradually capitalised. The Sichuan-East gas pipeline project and the second phase of the West-East gas pipeline project will be partially completed by the end of 2009. The liquefied natural gas ("LNG") terminals located in Fujian and Shanghai are running into operation in late 2009 or early 2010. Construction of natural gas liquefaction plants in Shanxi is also expected to be completed in 2010. All these provide a concrete base for the sustainable and healthy development of the gas industry.

The increasing abundance of natural gas propels the progress of city gas projects and gas refueling station projects. Oil and gas giants in the PRC have stepped into the downstream gas business, which will definitely drive the demand for pressure vessels, gas refueling stations and compressors.

Natural gas has for years been heavily promoted for use in vehicles, in particular taxis and buses, in China through favourable government policies. According to the statistics by the International Association for Natural Gas Vehicles, there were approximately 400,000 natural gas vehicles ("NGV(s)") in China at the end of 2008, a growth of 48.1% over the previous year, while the average growth rate of total NGVs worldwide was 27.0%. In terms of growth by region, Asia recorded the highest growth rate of 52.5% since 2000. This reflects the enormous room for further development of China's NGV market.

China's natural gas price is state-regulated at a level well below the international average. It is predicted that the price will be adjusted upwards to catch up with it in future. Added to this, international oil prices have recently gone down significantly. If the price difference between oil and natural gas narrows to a substantial extent because of these two factors, momentum for the conversion of gasoline-powered vehicles to NGVs and construction of gas refueling stations may be adversely affected in short term. However, oil is inherently more expensive than natural gas as it has to go through refinery processes before application. Hence, it is believed the gas will still enjoy a price edge over gasoline and the recent fluctuation of oil price is unlikely to hinder the development of NGVs and gas refueling stations in long run.

It is expected that competitors will increase their production capacity in the PRC in the foreseeable future. The competition landscape of local energy equipment market is thus subject to change. Superior industry qualifications, good reputation and strong R&D capability, all of which the Group possesses, will be the most decisive competitive advantages over rivals.

Turn to the international natural gas market, western countries, like the U.S., show stable demand for the gas while South-east Asian countries, in particular, Thailand, have taken more active steps to boost the use of the gas. Development potential of gas equipment is particularly massive in the latter region.

Industrial gas sector is likely to be adversely impacted in the financial crisis with other sectors to which it is highly related, such as, iron and steel, electronics and chemical industrial. However, several international gases companies have recently increased their investment in the PRC. In view of this, the Group remains optimistic at the prospect of industrial gases equipment.

In view of the favourable macro-energy policies and long-term development trend, the Group is fully confident that the energy equipment industry in the PRC will still be able to grow healthily in the economic storm in 2009.

BUSINESS REVIEW

The Group is a leading specialised energy equipment manufacturer and integrated business solutions provider in the PRC.

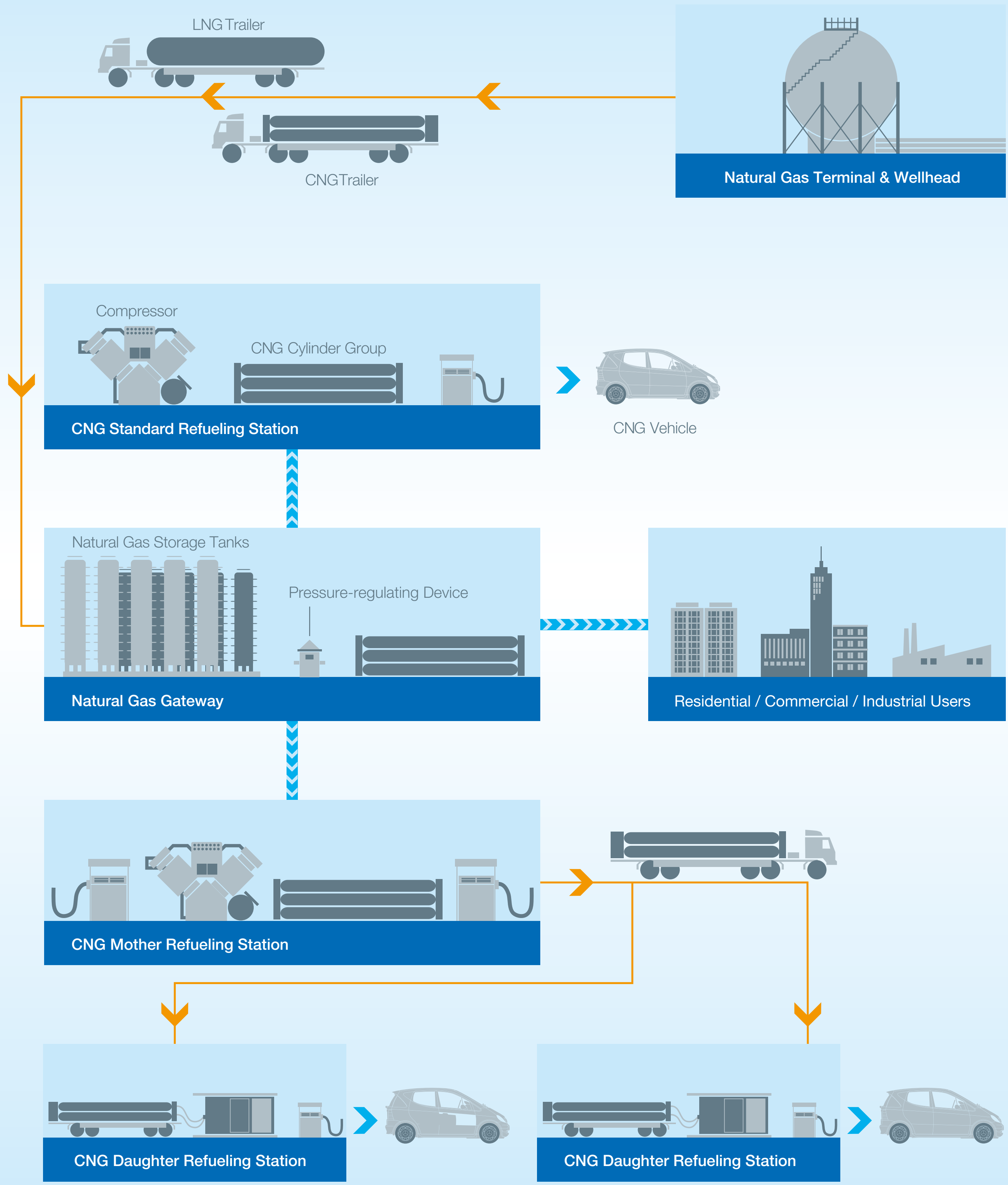
It designs, manufactures and sells specialised gas equipment including seamless pressure cylinders, CNG trailers, natural gas refueling station systems, LNG storage tanks, LNG trailers and natural gas compressors. The Group also offers IBS, which are comprehensive services comprising the design, manufacture and sale of gas equipment system, on-site installation, staff training and after-sales services.

Products and services of the Group cater to the needs of city gas operators, gas refueling station operators and specialty gas suppliers and users, and are essential for the transportation, storage and distribution of natural gas and specialty gases.

Operational performance

During the year ended 31 December 2008, revenue contribution from CNG trailers, compressed specialty gas ("CSG") trailers and storage cylinders increased significantly to RMB641,503,000, representing a 50.5% growth over 2007. Turnover of chemical storage and transportation equipment also saw a rise of 37.4% to RMB76,476,000 (2007: RMB55,648,000). However, the overall performance of the pressure vessels segment was dragged down by the decline of 6.3% in sale of LNG trailers and tanks of RMB51,951,000 (2007: RMB55,430,000).

CNG Refueling Station Solutions



The Group sold 81 sets of HPU in the year, representing a 44.6% growth over 2007. However, the growth in sales volume was to some extent offset by a decrease in the average selling price ("ASP") of HPU of 5.8%. In addition, the Group sold 147 CNG refueling station trailers in the year, representing an increase of 24 trailers compared with 2007. Overall, the revenue from the IBS segment for the year recorded a rise of 20.8% to RMB292,525,000 over 2007.

Compressors segment maintained a stable performance for 2008. The segment's growth is mainly attributed to the increase in turnover of special-purpose and general-purpose compressors. The number of special-purpose compressors sold rose to 165 sets (2007: 159 sets) with an increase in ASP by 7.9%. General-purpose compressors turnover rose by 34.7% to RMB17,058,000. However, the segment's growth was slowed down by a slide in the sales of natural gas compressors by 4.0% to RMB69,134,000 over 2007. As a result, the compressors segment saw a slight growth of 8.2% with turnover increased to RMB174,826,000 over 2007.

Research and development

The Group devoted RMB20,744,000 (2007: RMB15,053,000) to the R&D of new products and manufacturing technologies and achieved remarkable results in the year.

The natural gas and coal-bed methane liquefaction system was successfully developed and brought to the market. The 45MPa pressure cylinders group for hydrogen fuel and a hydrogen refueling station were also developed. This station is one of the key R&D items under the 863 Program of the PRC government. Major projects presently under development include large-volume, light-weight composite cylinders, which made significant progress in the year.

These achievements signify the strong R&D strength of the Group, enabling it to master the pulse of market and maintain a pioneering position in the industry.

Production capacity

In 2008, the Group invested RMB51,102,000 in capital expenditure. The production plant of seamless pressure cylinders has increased to an annual output of approximately 10,000 units. For coping with future market demand, it will be further increased to approximately 12,000 units by the end of 2009.

Sales and marketing

The Group delivers its products and services to 29 provinces, autonomous regions and municipalities and runs sales offices in nine cities in the PRC.

The Group has become one of the global equipment suppliers of Air Products since 2007. A majority of products were, directly or indirectly, sold to oil and gas giants, including China Resources Gas, Jincheng Anthracite Mining Group, PetroChina, Petroleum Authority of Thailand, Sinopec and Xinao Gas, and to international atmospheric gases corporations like Air Liquide.

In order to maintain sustainable growth, proactive expansion of export business is one of the Group's long-term development strategies. The Group has opened up the U.S. market in the first half of 2008 and products were also exported, directly or indirectly, to Indonesia, Pakistan, Thailand, Taiwan, Vietnam, etc. with a total amounted to RMB240,740,000, representing a 240.0% boost over 2007.

Domestic procurement

Previously, most of the special steel pipes, the major raw material of seamless pressure cylinders were imported from overseas suppliers. With the continuing technological advancement in the PRC, the Group has commenced to bulk source these pipes from Chinese steel suppliers since 2007.

During the year, the Group procured approximately 16,796 metric tons of special steel pipes from Chinese steel suppliers, which accounted for approximately 58.2% of total purchase of special steel pipes. As the domestic steel cost is lower than that of the imported, the Group will gradually increase the proportion of sourcing Chinese special steel pipes to better control its cost of production in long run.

Qualifications

All the superior manufacturing certificates and qualifications are subject to periodical review by industry bodies. The Group relies on advanced technologies and stringent manufacturing processes to obtain renewal of such qualifications.

The Group possesses qualifications from both local and international industry authorities such as the ASME, the China Classification Society, the China Machinery Industry Federation ("CMIF"), the Ministry of Commerce, Industry and Energy of Korea and the U.S. DOT as well as the ISO9000 certificate.

At present, the Group is preparing to apply for certain pressure vessel licenses from the relevant authorities of India and Canada.

The array of qualifications has strengthened the Group's prime position over competitors and its export ability as evidenced by the encouraging growth in export during the year.

Customer service

The Group values long-standing relationship with customers. Timely delivery of after-sales service is pledged to customers across the country. Company visits are arranged regularly for local and overseas customers who are interested in gaining a better understanding of the daily operation and production processes of the Group.

During the year, the Group organised regular conferences where customers were encouraged to share their opinion on the Group's products and services.

In 2007, the Group, collaborating with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), established its first examination centre for high pressure cylinder trailers in Changzhou. The second examination centre has been set up in Urumqi in 2008. CNG trailers and other high pressure cylinder trailers are required to pass certain safety examinations in accordance with relevant safety regulations in order to obtain special-vehicle license renewal. The centres are authorised to provide such examination services. The Group plans to establish more examination centres to optimise its after-sales service network across the PRC and expand its income stream.

Human resources

The Group bases its competitive advantage on the excellence of its people, central to which is people development. Competence-based training programmes and a balanced score card tool were carried out in the year. Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development. Award presentations are held every year to recognise the outstanding performance of employees of the year.

As at 31 December 2008, the total number of employees of the Group was approximately 1,800. Total staff costs (including directors' emoluments and retirement benefits schemes contributions) were approximately RMB101,422,000 for the year (2007: RMB77,765,000).

As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications, and experience of individual employee and prevailing market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong and contributions to government pension schemes to employees in Mainland China.

FINANCIAL ANALYSIS

Turnover

Due to the continuous rise in the global demand for equipment for the storage and transportation of natural gas and specialty gases, the Group experienced a robust growth during 2008. The turnover for 2008 rose by 31.5% to RMB1,237,280,000 over the previous year (2007: RMB940,991,000). The increased turnover was mainly contributed by the rise in sales of pressure vessels and provision of IBS. Pressure vessels' turnover rose by 43.3% to RMB769,929,000 (2007: RMB537,255,000), turnover of IBS was RMB292,525,000 (2007: RMB242,129,000), representing an increase of 20.8%, and compressors' turnover was RMB174,826,000 (2007: RMB161,607,000) which grew slightly by 8.2%.

Pressure vessels

As the top grossing segment of the Group, the pressure vessels segment specialises in the manufacture and sale of a wide range of pressure vessels for the storage, transportation and distribution of natural gas and specialty gases such as CNG trailers, seamless pressure cylinders, compressed specialty gas trailers, LNG trailers and LNG storage tanks. During 2008, this segment accounted for 62.2% (2007: 57.1%) of the overall turnover.

Integrated business solutions

The Group specialises in the provision of IBS to operators of gas refueling stations and city gas projects. The service covers the entire project life-cycle from design and manufacture of gas equipment system, on-site installation to staff training as well as after-sales services. During the year, this segment contributed 23.6% (2007: 25.7%) of the overall turnover and was the second top grossing segment of the Group.

Compressors

The Group builds its gas equipment business on the foundation of manufacture and sale of compressors. Natural gas compressors are key equipment for the operation of standard gas refueling stations and mother refueling stations, and are used to compress and dispense natural gas to CNG trailers and natural gas vehicles. For 2008, this segment made up 14.2% (2007: 17.2%) of the overall turnover.

Gross profit margin and profitability

The pressure vessels segment's gross profit margin ("GP margin") rose by 0.2 percentage point to 20.4% (2007: 20.2%) despite a rise in the cost of raw materials in the first half of 2008. The improvement in the segment's GP margin was mainly caused by an increase in the GP margin and in the sales of CNG storage and transportation products within the segment. These products managed to raise its GP margin because of the increased utilisation of domestically procured special steel pipes which are more economical than imported ones.

The GP margin for compressors segment decreased to 29.2% in 2008 from 31.8% in the previous year mainly due to a rise in the cost of raw materials.

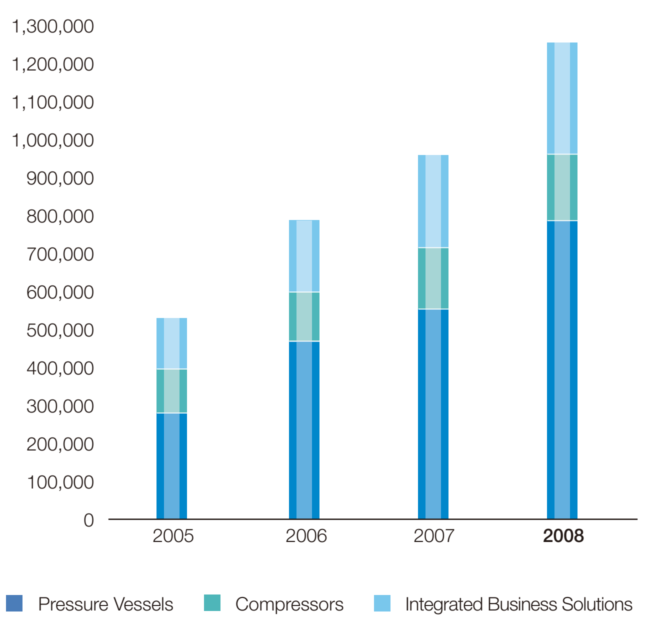
In relation to the IBS segment, its GP margin is affected by the mix of the higher GP margin HPUs and the lower margin refueling station trailers. During the year, the HPU to refueling station trailer ratio was 1:1.82 in comparison with 1:2.20 for 2007 which means the lower margin refueling station trailers accounted for a smaller portion of the segment turnover in 2008. In addition, the GP margin for Series 2000 is higher than the first generation HPU. These two factors combined to cause the IBS's segment GP margin to rise by 2.4 percentage points to 41.5% (2007: 39.1%).

In spite of the improved GP margins of both pressure vessels and IBS segments, pressure vessels, which has the lowest GP margin among the three segments, increased its proportion of the Group's overall turnover to 62.2% in the year (2007: 57.1%), causing the Group's overall GP margin to decrease by 0.4 percentage point to 26.6% (2007: 27.0%).

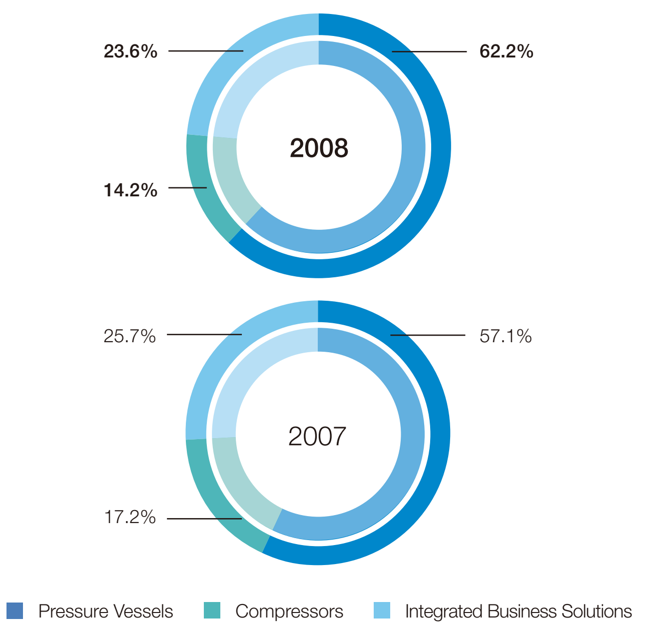
Profit from operations expressed as a percentage of turnover dropped by 0.9 percentage point to 13.5% (2007: 14.4%) which is attributable to three main reasons, namely the increase in human resources costs, R&D spending and transportation costs. Firstly, the Group's total staff costs surged by 30.4% to RMB101,422,000 (2007: RMB77,765,000) due to a 34.3% increase in salary and staff related benefits that were aimed at attracting and retaining talents. Secondly, R&D spending increased by 37.8% to RMB20,744,000 (2007: RMB15,053,000) as the Group devoted more manpower and resources in developing new products and enhancing existing products. Thirdly, transportation costs rose by 81.0% to RMB12,541,000 (2007: RMB6,928,000) due to an increase in the Group's export sales. The net profit margin for the year fell by 1.7 percentage points to 10.9% (2007: 12.6%) mainly as a result of the three abovementioned factors as well as an increase in taxation expenses by 337.6% to RMB23,172,000 (2007: RMB5,295,000).

TURNOVER

RMB'000



SEGMENT TURNOVER CONTRIBUTION



Cost analysis (expressed as percentage of turnover)

	2008	2007	+/-
Cost of sales	**73.4%**	73.0%	0.4%
Selling expenses	**5.0%**	4.5%	0.5%
Administrative expenses	**9.0%**	9.1%	-0.1%
Finance costs	**0.8%**	1.2%	-0.4%

Cost of sales

Cost of sales rose by 32.2% to RMB907,731,000 during 2008 (2007: RMB686,513,000). Within cost of sales, 88.0% (2007: 88.5%), 2.8% (2007: 2.7%), 1.5% (2007: 1.6%) and 7.7% (2007: 7.2%) were attributable to raw materials, wages, depreciation and factory overheads respectively. The cost structure has been stable over the past two years.

Other revenue

Other revenue totalling RMB12,903,000 in 2008 (2007: RMB8,762,000) comprised of bank interest income of RMB3,086,000 (2007: RMB3,534,000), government grants of RMB5,322,000 (2007: RMB2,035,000) and other operating revenue of RMB4,495,000 (2007: RMB3,193,000). The rise in other revenue was mainly caused by an increase in government grants received by the Group during 2008.

Selling expenses

Selling expenses rose by 46.5% over 2007. Selling expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increased at a faster pace than that of turnover as the Group has been proactively expanding into the overseas markets.

Administrative expenses

Administrative expenses increased by 31.1% over 2007 which is in line with the growth in turnover. During 2008, increase in human resources and R&D expenditure was the major reason for rising administrative expenses.

Other net expenses/income

Other net expenses increased to RMB1,230,000 in 2008 (2007: other net income RMB296,000) which comprised loss on disposal of property, plant and equipment and various miscellaneous income. The rise in current year's other net expense was mainly attributable to the non-recurring loss on disposal of property, plant and equipment in relation to the reallocation of the Group's headquarters.

Finance costs

During 2008, finance costs fell by 16.8% to RMB9,750,000 (2007: RMB11,716,000). Finance costs mainly comprised bank loan interest of RMB11,491,000 (2007: RMB11,170,000). The average loan balance remained stable during 2008 but the rise in interest rate in 2008 caused bank loan interest to increase slightly over 2007. The Group recorded net exchange gains of RMB2,819,000 in 2008 (2007: RMB11,000) which reduced the overall finance costs. The exchange gain was primarily due to the appreciation of the Chinese currency Renminbi ("RMB") against the U.S. Dollar and Euro as a portion of the Group's short term borrowings are denominated in the abovementioned foreign currencies.

Taxation

Tax expenses for the Group surged by 337.6% to RMB23,172,000 in 2008 (2007: RMB5,295,000) which was mainly attributed to the new tax regime in the PRC. Under the new tax regime, the Group's PRC subsidiaries are required to pay withholding taxes on dividends to their foreign investors arising from profits earned after 1 January 2008. Accordingly, the Group has recognised such withholding tax expense as deferred tax liability during the year. Moreover, certain preferential tax treatments are no longer available and the Group's subsidiaries received tax incentives amounted to RMB2,022,000 which is substantially less than the previous year's (2007: RMB8,955,000). The abovementioned factors combined to cause an increase in the Group's tax expenses and consequently raised the Group's effective tax rate by 10.4 percentage points to 14.7% during 2008 (2007: 4.3%).

Segment results

	2008 RMB	2007 RMB
Pressure vessels	**102,705,000**	74,786,000
Integrated business solutions	**74,114,000**	50,998,000
Compressors	**16,100,000**	25,585,000
Inter-segment elimination	**(1,279,000)**	(519,000)
Total segment results	**191,640,000**	150,850,000

Total segment results = profit before unallocated operating income and expenses, finance costs and taxation

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

At 31 December 2008, the Group recorded cash on hand of RMB243,405,000 (2007: RMB273,875,000) and bank loans of RMB166,803,000 (2007: RMB140,899,000). A portion of the Group's bank deposits totalling RMB37,134,000 (2007: RMB16,684,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2008, all bank loans of the Group were guaranteed by the Company's subsidiaries, bearing interest at rates from 5.6% to 7.5% per annum and repayable within one year. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2007: zero times) as the Group retained a net cash balance of RMB76,602,000 (2007: RMB132,976,000). The Group's interest coverage was 14.7 times for 2008 (2007: 12.1 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

In order to fulfill sales orders on hand as of 31 December 2008 and reserve special steel pipes, closing inventories level increased by RMB242,319,000 to RMB519,225,000 (including inventories in-transit of RMB32,592,000), which occupied a portion of the Group's working capital. During 2008, net cash used in operating activities amounted to RMB101,000 (2007: net cash generated from operating activities RMB17,980,000). The Group drew bank loans of RMB298,577,000 (2007: RMB251,761,000) and repaid RMB270,226,000 (2007: RMB276,736,000). Apart from drawing bank loans, the Group did not engage in any other forms of financing activities in 2008.

Assets and liabilities

At 31 December 2008, total assets of the Group amounted to RMB1,440,495,000 (2007: RMB1,060,915,000) while total liabilities were RMB660,246,000 (2007: RMB415,073,000). The net asset value rose by 20.8% to RMB780,249,000 (2007: RMB645,842,000) which was attributed to the net profit of RMB134,407,000 for the year. As a result, the net asset value per share increased to RMB1.700 at 31 December 2008 from RMB1.407 at 31 December 2007.

Contingent liabilities

At 31 December 2008, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2008, the Group had contracted but not provided for capital commitments of RMB58,592,000 (2007: RMB4,792,000), and authorised but not contracted for capital commitments of RMB10,108,000 (2007: RMB700,000). The contracted but not provided for commitments include, amongst others, RMB10,601,000 for the expansion of seamless pressure cylinders production plant and RMB38,405,000 for acquisition of equity interest in Hongtu.

Foreign exchange exposure

The Group earns revenue and incurs cost mainly in RMB. In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate of RMB had no drastic fluctuation in the past few years, the Group controls its exchange rate risks by raising funds in the denominations of its principal operating assets and revenue. Borrowings are also primarily denominated in RMB. During the year, RMB has appreciated against Hong Kong Dollar, U.S. Dollar and Euro which caused aggregately net exchange gains of RMB2,819,000 mainly because a portion of the Group's trade finance short term borrowings are denominated in U.S. Dollar and Euro. Since the Group's assets and liabilities are primarily denominated in RMB and the Group earns revenue and incurs cost mainly in RMB, the Group thus considers the impact of foreign exchange exposure on the Group to be minimal.

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2008, the Group had total capital commitments of RMB68,700,000.

DIRECTORS

Mr. Zhao Qingsheng

Chairman and Executive Director

Mr. Zhao, aged 56, joined the Group as an Executive Director in September 2007 and has become the chairman of the Board since October 2007. He graduated from the Wuhan University of Water Transportation Engineering (武漢水運工程學院) (now known as the Wuhan University of Technology (武漢理工大學)), majoring in vessel internal combustion engineering. Mr. Zhao joined China Merchants Group Limited (招商局集團有限公司) in 1983 and was the general manager of its enterprise department from 1991 to 1995. He was appointed the deputy general manager of China Merchants Holdings (International) Company Limited from 1995 to 1999. Mr. Zhao then joined CIMC, the controlling shareholder of the Company, and served as a vice-president from 1999 until now. He holds directorships in 12 subsidiaries of the Company.

Mr. Jin Yongsheng

Executive Director and CEO,
Nomination Committee chairman

Mr. Jin, aged 45, was appointed an Executive Director and the Chief Executive Officer in June 2006. He graduated from the Tianjin University of Finance and Economics (天津財經大學) in 1986, specialising in finance. He also obtained an executive master's degree in business administration from the Guanghua School of Management of the Peking University (北京大學光華管理學院) in 2005. He is a qualified lawyer in China. Mr. Jin joined the Group in September 2005 serving as an investor relations manager of the Company. He is a director of Xinao Group International Investment Limited ("XGII"), a substantial shareholder of the Company. He was an executive director of Xinao Gas Holdings Limited ("Xinao Gas") from 2000 to 2006 and is currently its non-executive director. He holds directorship in five subsidiaries of the Company.

Mr. Wu Fapei

Executive Director

Mr. Wu, aged 50, joined the Group as an Executive Director in September 2007. He obtained a bachelor's degree in machinery production and a master's degree in engineering, both from the South China University of Technology (華南理工大學), and subsequently became a lecturer and an associate professor at the School of Management of the university. He served as a vice general manager of Guangdong Zhaoqing Nanhua Bicycle Ronghui Co., Ltd. (廣東省肇慶市南華自行車榮輝有限公司). He joined CIMC in 1996 and served as the manager of the information technology department, an assistant to the president and the secretary to the board of directors of CIMC. Mr. Wu is currently a director of Nantong CIMC Tank Equipment Co., Ltd. ("Nantong CIMC", 南通中集罐式儲運設備製造有限公司) and a vice-president of CIMC.

Mr. Jin Jianlong

Executive Director, Remuneration Committee chairman

Mr. Jin, aged 55, joined the Group as an Executive Director in September 2007. He graduated from the Maanshan University of Iron and Steel Technology (馬鞍山鋼鐵學院), majoring in accounting. Mr. Jin worked in the Hangzhou Iron and Steel Factory (杭州鋼鐵廠) from 1975 and served as a vice manager of its accounting department from 1985 to 1989. He joined CIMC in 1989 and served as the manager of the finance department of Shenzhen Southern CIMC Containers Manufacturing Co., Ltd. (深圳南方中集集裝箱製造有限公司). Mr. Jin is currently a director of Nantong CIMC, and the general manager of the financial management department of CIMC. He holds directorship in 11 subsidiaries of the Company.

Mr. Yu Yuqun

Executive Director

Mr. Yu, aged 43, joined the Group as an Executive Director in September 2007. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu worked in the State Bureau of Commodity Price (國家物價局) before joining CIMC in 1992. He is currently the secretary to the board of directors of CIMC, responsible for investor relations and financing management. Mr. Yu holds directorship in 10 subsidiaries of the Company.

Mr. Shi Caixing

Executive Director

Mr. Shi, aged 45, joined the Group as an Executive Director in September 2007. He graduated from a master's course at the School of Economics of the Peking University (北京大學經濟學院). Mr. Shi was the head of the general office of and the manager of Zhangjiagang Hualing Chemical Machinery Works (張家港市華菱化工機械廠) from 1994 to 1997, and the general manager of Zhangjiagang ABC Gas Equipment Co., Ltd. (張家港市阿比西氣體設備有限公司) from 1998 to 2001. He was also a vice general manager and an executive vice general manager of Zhangjiagang Sanctum Chemical Machinery Co., Ltd. (張家港市聖達因化工機械有限公司) from 2001 to 2003. Mr. Shi is currently a director and the general manager of Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd.

Mr. Qin Gang

Executive Director

Mr. Qin, aged 50, joined the Group as an Executive Director in September 2007. He obtained a bachelor's degree in foundry engineering from the South China University of Technology (華南理工大學) and a master's degree in business administration from the School of Management, the State University of New York at Buffalo in 1988. Mr. Qin served as a deputy director of the business and planning department of Guangzhou Heavy Machinery Works (廣州重型機器廠) and a vice general manager of Fonda Development Ltd. (香港泛達發展有限公司) from 1993 to 1999. Mr. Qin joined CIMC as an assistant to the manager of its research and development department in 1999, and is currently the manager of its strategy development department.

Mr. Yang Yu

Non-executive Director

Mr. Yang, aged 51, joined the Group as a Non-executive Director in September 2007. He graduated from the Petroleum Pipeline Vocational and Technical School (石油管道職業技術學院) in 1985 and obtained a master's degree in currency banking from the Renmin University of China (中國人民大學) in 1999 and a master's degree in business administration from the Nanyang Technological University in Singapore in 2005. He worked at the China Oil and Gas Pipeline Bureau (中國石油天然氣管道局). Mr. Yang was an executive director and the chief executive officer of Xinao Gas from 2000 to 2008 and from 2002 to 2008, respectively. He is currently the chief executive officer of Xinao Group Company Limited (新奧集團股份有限公司), and a director of XGII. Mr. Yang has over 20 years of experience in the oil and gas industry in China. Mr. Yang holds directorship in three subsidiaries of the Company.

Mr. Wong Chun Ho

Independent Non-executive Director, Audit Committee chairman and member of Nomination Committee

Mr. Wong, aged 36, joined the Group as an Independent Non-executive Director since February 2005. He obtained his bachelor's degrees in business (accounting) and computing (information system) from Monash University, Australia. Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia and a Chartered Financial Analyst. He is currently an assistant director of N M Rothschild & Sons (Hong Kong) Limited and prior to that he worked in KPMG. Mr. Wong has over 10 years of corporate finance and audit experience in the Hong Kong and China regions.

Mr. Gao Zhengping

Independent Non-executive Director, members of Audit Committee, Remuneration Committee and Nomination Committee

Mr. Gao, aged 54, joined the Group as an Independent Non-executive Director since February 2005. He received a doctorate in management from the Tianjin University of Finance and Economics (天津財經大學) in 2002 and is presently the deputy vice chancellor and a professor of the university. Mr. Gao is also a standing director of the Financial Talents Committee of Talents Research Association of the PRC (中國人才研究會金融人才專業委員會), a member of the editorial board of financial publications of China Financial Publishing House (中國金融出版社金融教材編輯委員會), the vice chairman of the Tianjin Finance Association (天津市金融學會) and a member of the Professional Committee of the Tianjin Venture Investment Promotion Association (天津市風險投資促進會). Mr. Gao is an independent director and a member of the audit committee of Tianjin Xinmao Science and Technology Co., Ltd.(天津鑫茂科技股份有限公司).

Mr. Shou Binan

Independent Non-executive Director, members of Audit Committee and Remuneration Committee

Mr. Shou, aged 51, joined the Group as an Independent Non-executive Director since February 2005. He obtained a bachelor degree in engineering from the Dalian University of Technology (大連理工大學) in 1982 and a master's degree in engineering from Tsinghua University (清華大學) in 1995. He is a senior engineer of the Research Institute of China's Petrochemical Industry Economy and Technology (中國石化經濟技術研究院). He is a committee member of the Management Committee of the Standardisation Administration of China (中國國家標準化管理委員會), a committee member of the Special Equipment Safety Technology Committee of the General Administration Bureau of Quality Supervision, Inspection and Quarantine (中國國家品質監督檢驗檢疫總局特種設備安全技術委員會) of the PRC, and the chief secretary of the China Standardisation Committee on Boilers and Pressure Vessels (全國鍋爐壓力容器標準化技術委員會). He is also appointed by the Hefei General Machinery Research Institute (合肥通用機械研究所博士後科研工作站學術委員會) as a member of the academic committee of post-doctorate scientific research working station.

SENIOR MANAGEMENT

Mr. Gao Xiang

General Manager of the Company

Mr. Gao, aged 43, is responsible for the oversight of overall business and management and leading the execution of strategic plans of the Group. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering. Prior to joining the Group in January 2009, Mr. Gao had been the deputy general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司) and the general manager of Tianjin CIMC North Ocean Group Ltd. (天津中集北洋集團公司). He is a senior engineer and possesses extensive managerial experience in the containers industry.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 37, is responsible for financial management, corporate finance, implementation of corporate governance practices and investor relations of the Company. He graduated with a bachelor's degree in business administration from Thames Valley University, the United Kingdom. Mr. Cheong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked at an international firm of certified public accountants and has more than 12 years of experience in accounting, financial management and corporate finance.

Mr. Ren Yingjian

General manager of Enric Gas Equipment

Mr. Ren, aged 53, is responsible for the overall management of Shijiazhuang Enric Gas Equipment Company Limited ("Enric Gas Equipment", 石家莊安瑞科氣體機械有限公司), a wholly-owned subsidiary of the Company. He completed his study in Tsinghua University's School of Economics and Management (清華大學經濟管理學院) in 1996 and is an engineer. Prior to joining the Group in September 2003, Mr. Ren was the managing director of Mudanjiang Gold Peony Knitwear Company (牡丹江金牡丹針織有限公司) and the general manager at Mudanjiang Sanxing Knitwear Factory (牡丹江三星針織廠). Mr. Ren is experienced in the management of industrial enterprises.

Mr. Liu Wenxiang

General manager of Enric Integration

Mr. Liu, aged 45, is responsible for the overall management of Enric (Langfang) Energy Equipment Integration Company Limited ("Enric Integration", 安瑞科（廊坊）能源裝備集成有限公司), a wholly-owned subsidiary of the Company. He graduated from the Tianjin Polytechnic University (天津工業大學), majoring in mechanical design. Prior to joining the Group in July 2006, Mr. Liu had been the head of sales department of Handan Textile Machinery Factory (邯鄲紡織機械廠) and a marketing manager at Beijing Weihong New-tech Development Company Limited (北京偉航新技術開發有限公司). He is experienced in sales and marketing.

Mr. Wang Fenglin

General manager of Enric Compressor

Mr. Wang, aged 51, is responsible for the overall management of Enric (Bengbu) Compressor Company Limited ("Enric Compressor", 安瑞科（蚌埠）壓縮機有限公司), a wholly-owned subsidiary of the Company. He obtained a bachelor's degree in engineering from the Gansu University of Technology (甘肅工業大學) in 1982 and a master's degree in business administration from Lancaster University, the United Kingdom in 1990. He is a certified engineer and a senior economist. Prior to joining the Group in December 2004, Mr. Wang worked as a general manager in Handan Textile Machinery Factory (邯鄲紡織機械廠) from, a deputy head of import and export department for China Textile Machinery (Group) Co., Ltd. (中國紡織機械集團), and a general manager in Beijing Weihong New-tech Development Company Limited (北京偉航新技術開發有限公司). He is experienced in the management of industrial enterprises.

Corporate Governance Report

The Company understands that shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing shareholders' value and interests. The principles of the Company's corporate governance practices emphasise on an effective board, prudent internal and risk controls, transparency and quality disclosure, and, most importantly, accountability to shareholders. Continued efforts have been undertaken in reviewing and enhancing the quality of corporate governance practices with reference to local and international standards.

Since its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2005, the Company has adopted the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange as its principal guideline in relation to corporate governance practices.

The following internal policies and guidelines are periodically reviewed and constitute supplementary components in the Company's governance framework:

- Policy on the Appointment of Directors;
- Director and Senior Management Remuneration Policy;
- Roles and Responsibilities of the Board and the Senior Management;
- Procedures for Directors' to seek Independent Professional Advice;
- Division of Responsibilities between the Chairman and the Chief Executive Officer of the Company (the "CEO");
- Directors' Duties to Disclosures; and
- Dealing in Securities of the Company by Relevant Employees.

Throughout the year ended 31 December 2008, the Company complied with all the code provisions set out in the CG Code.

BOARD OF DIRECTORS

The board

The Board assumes the responsibility for leadership and control of the Company and its subsidiaries (collectively, the "Group"), and is collectively responsible for promoting the success of the Group.

The types of decisions which are taken by the Board include those relating to:

- long-term direction and objectives;
- strategic business development;
- corporate governance;
- internal control assessment;
- material financing projects;
- material acquisitions and disposals;
- interim and final results and dividends;
- connected transactions; and
- appointments to the Board.

BOARD OF DIRECTORS *(Continued)*

The board *(Continued)*

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2008 and up to the date of this report, the Board:

- reviewed the performance and formulated business strategies of the Group;
- reviewed budgets prepared by the management and monitored the actual results on a periodic basis;
- reviewed and approved financial statements of the Group for the years ended 31 December 2007 and 2008, and for the six months ended 30 June 2008 respectively;
- reviewed the connected transactions and continuing connected transactions of the Group;
- reviewed and refined the corporate governance practices of the Group;
- approved the "Director and Senior Management Remuneration Policy";
- reviewed the effectiveness of internal controls taken by the Group;
- approved the acquisition of 80% of interests in Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. (荊門宏圖特種飛行器製造有限公司);
- approved the conditional acquisitions of the entire issued share capital of certain subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC", 中國國際海運集裝箱（集團）股份有限公司), the controlling shareholder of the Company;
- approved the documents and certain matters in relation to a bank loan agreement entered into by Enric Integration (HK) Company Limited, a wholly-owned subsidiary of the Company;
- approved the appointment of Mr. Gao Xiang as the general manager of the Company with effect from 1 January 2009 and his remuneration therefor; and
- approved the re-appointment of Independent Non-executive Directors.

Notice of a regular Board meeting is given to all Directors at least 14 days in advance. Directors (including Non-executive Directors) are invited to include items which they wish to be included in the agenda for the same to be finalised and given to Directors with the relevant meeting papers at least three days prior to a Board or Board committee meeting. Directors are properly briefed on agenda items and provided with opportunities to raise questions or comments at meetings. Where a Director is unable to attend a meeting, he is advised of the matters to be discussed and encouraged to express his views to the Chairman or the Company Secretary prior to the meeting.

As most of the Directors are on occasional, and sometimes unexpected, business trips and/or are stationed in different cities of China, it may, in practice, be inconvenient to convene a full Board meeting on a frequent basis. Hence, the Board may review and approve certain issues in form of a written resolution. Relevant reference materials regarding the resolutions to be passed will be circulated with the draft resolutions. Nevertheless, to decide on any matter in relation to a notifiable transaction, a Board meeting will be convened; and to decide on any matter in which a substantial shareholder or a Director has a material interest, a Board meeting will also be held with the presence of Independent Non-executive Directors who, and whose associates, have no interest in such matter.

BOARD OF DIRECTORS *(Continued)*

The board *(Continued)*

The Chairman and the senior management will ensure all Directors (including the Non-executive Directors) have access to adequate, complete and timely information so that they can make informed decisions and discharge their duties and responsibilities as Directors. The Directors may request further briefing or explanation on any aspect of the Group's operations or business and seek advice from the Company Secretary on company secretarial and regulatory matters, including Board procedures and corporate governance practices. Where appropriate, they can also seek independent professional advice at the Company's expenses pursuant to the "Procedures for Directors' to seek Independent Professional Advice" adopted by the Board.

The Company Secretary is responsible for taking minutes of Board and Board committees meetings. Draft minutes and written resolutions will be circulated to all Directors or Board committee members for review and comment for a reasonable period. Final version of the minutes and written resolutions will be sent to all Directors or Board committee members for record within a reasonable time (generally within 14 days after the meeting) and the signed copies are kept in the Company's minutes book for Directors' inspection.

Chairman and chief executive officer

The management of the Board and the day-to-day management of the Group's business are clearly divided and separately undertaken by the Chairman and the CEO to ensure a balance of power and authority.

The roles of the Chairman and the CEO are segregated with a clear division of responsibilities set out in writing. The Chairman is responsible for overseeing the functioning of the Board, setting the Group's strategies and direction, identifying business goals and the related business plans and monitoring the performance of senior management, and establishing good corporate governance practices. The CEO focuses on leading the senior management to execute the strategies and plans set out by the Board, and reporting to the Board on the Group's operation from time to time to ensure proper discharge of the duties delegated by the Board.

Board composition

At 31 December 2008, the Board consisted of seven Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Composition of the Board, by categories of directors, including names of Chairman, Executive Directors, Non-executive Director and Independent Non-executive Directors, is disclosed in all corporate communications that disclose the names of Directors.

The Board members, possessing a wide range of professional and educational backgrounds, bring a diverse and balance set of skills and experience to the Board, which contributes to the effective direction of the Group. Biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 16 to 18 and on the Company's website, which is updated from time to time.

The Company has received a written confirmation from each Independent Non-executive Director of his independence to the Company pursuant to the requirement in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). With reference to such confirmations, the Company, to its best knowledge, considers all the Independent Non-executive Directors fulfill the guidelines on independence as set out in rule 3.13 of the Listing Rules and all to be independent. No relationship (including financial, business or family) exists among members of the Board as at the date of this report.

BOARD OF DIRECTORS *(Continued)*

Responsibilities of directors

The Directors shall take decisions objectively in the interests of the Group as a whole. They meet regularly to keep abreast of its conduct, business activities, operational performance and latest development. Details of Directors' attendance at the Board and Board committee meetings held in 2008 are set out in the paragraph headed "Directors' attendance" in this section.

The Non-executive Directors (including Independent Non-executive Directors) are particularly responsible for bringing an independent judgement on the Board. They take the lead where potential conflicts of interests arise and monitor the Company's reporting and performance in achieving agreed corporate goals and objectives.

In relation to each connected transaction or other transaction of the Company that requires independent shareholders' approval, an independent board committee comprising Independent Non-executive Directors will be formed to give independent opinion on the transaction.

The Company's legal advisors will explain to newly-appointed Directors their responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances and the Listing Rules). The Company will also provide to such Directors a memorandum on directors' duties and obligations to assist them in understanding their responsibilities as directors. The Chairman or the CEO will give a general briefing on the Group and the Company will provide relevant information and organise various activities, for example, site visits, to ensure they properly understand the business and governance policies of the Company.

To update Directors' understanding of the Group's operations and business and refresh their knowledge and skills as directors, the Company provides with the Board materials on relevant legal updates and on issues of significance or on new opportunities of the Group and organises regular internal training programmes, covering topics such as corporate governance, assets, financial and human resources management, and the PRC laws.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed, upon their appointment, and provide periodical updates to the Company their offices held in public companies or organisations and other significant commitments (if any). Information of Directors' office in other companies which is of significant nature is set out on pages 16 to 18 and on the Company's website.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealing in securities of the Company. Each Director is required to confirm with the Company in writing, at least twice a year, that he has complied with the Model Code. The Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2008.

The Company has also established a written guideline on no less exacting terms than the Model Code for the Group's relevant employees in respect of their dealings in the securities of the Company.

BOARD OF DIRECTORS *(Continued)*

Director's attendance

	No. of meetings attended during 2008			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhao Qingsheng *(Chairman)*	4/4			
Mr. Jin Yongsheng *(CEO)*	4/4			1/1
Mr. Wu Fapei	4/4			
Mr. Jin Jianlong	3/4		2/2	
Mr. Yu Yuqun	4/4			
Mr. Shi Caixing	4/4			
Mr. Qin Gang	3/4			
Non-executive Director				
Mr. Yang Yu	4/4			
Independent Non-executive Directors				
Mr. Wong Chun Ho	2/4	3/3		1/1
Mr. Gao Zhengping	4/4	3/3	2/2	1/1
Mr. Shou Binan	1/4*	0/3*	2/2	

* Due to unexpected business commitment and frequent business trips, the attendance rate of Mr. Shou is relatively low. Nevertheless, he gave his opinion and showed his voting position on the agenda items resolved in certain meetings in written and/or verbal form before and/or within a reasonable time after the meetings.

APPOINTMENT AND RESIGNATION OF DIRECTORS

The Company has established the "Policy on the Appointment of Directors" which is a formal, considered and transparent procedure for the appointment of Directors.

The Nomination Committee identifies and recommends to the Board of suitable candidates as Director, taken into account various criteria such as their education, qualification and experience to determine whether their attributes are relevant to the business of the Group and can complement to the capabilities of existing Directors, and their independence (in the case of candidates as Independent Non-executive Director). The committee also makes recommendations to the Board on matters relating to the reappointment of and secession planning for Directors.

All new Directors are subject to election by shareholders at the first general meeting (for those who fulfil a casual vacancy) or the first annual general meeting ("AGM(s)") (for those who act as addition to the existing Board) after their appointment.

The articles of association of the Company stipulate that all Directors are subject to retirement by rotation at least once every three years and retiring Directors are eligible for re-election at the AGM at which they retire.

All Non-executive Directors (including the Independent Non-executive Directors) are appointed for a specific term of three years, subject to retirement by rotation.

During the year, no new Director was appointed and no Director resigned or was removed.

REMUNERATION OF DIRECTORS

The Company's policy on remuneration is to maintain fair and competitive packages under a formal and transparent procedure to attract, retain and motivate Directors.

The key components of the remuneration package of Directors include basic salary and management bonus. Share options may also be granted as a long-term incentive to motivate Directors in pursuit of corporate goal and objectives.

The level of remuneration is mainly based on the Directors' experience, scope of duties and time committed to the Company, prevailing market rates, salaries paid by comparable companies and remuneration packages elsewhere in the Company and its subsidiaries.

The Remuneration Committee has established the "Director and Senior Management Remuneration Policy", a formal and transparent procedure for fixing remuneration packages of all Directors and senior management of the Company. The committee will review such policy periodically, and consult the Chairman and/or CEO regarding proposed remuneration of other Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors in formal or informal meetings. No person shall be involved in deciding his own remuneration.

Details of the Remuneration Committee are set out in the section headed "Delegation by the Board" in this report.

DELEGATION BY THE BOARD

Management functions

The Board gives clear directions as to the power delegated to the management for the administrative and management functions of the Company.

Division of functions reserved for the Board and those delegated to management are set out clearly in writing and will be reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the effective discharge of the Board's decision.

The senior management, led by the CEO, is responsible for executing strategies and plans set out by the Board and reporting to the Board periodically to ensure proper execution. Functions and responsibilities of the Board are set out in the section headed "Board of Directors" in this report.

Board committees

To streamline its duties and uphold good corporate governance, the Board allocates certain of its executive and monitoring functions to three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Each of the committees has adopted clear written terms of reference setting out details of its authorities and duties and obligations on no less exacting terms than the CG Code to report its findings, decisions and recommendations to the Board. Full terms of reference of each of the committees are available on request and on the Company's website.

In common with the Board, senior management will give adequate resources to the committees. The committees can also seek independent professional advice where necessary at the Company's expense and is supported by the Company Secretary.

DELEGATION BY THE BOARD *(Continued)*

Board committees *(Continued)*

Audit Committee

The Audit Committee is chaired by Mr. Wong Chun Ho, who possesses professional accounting and financial qualifications. Its other members are Mr. Gao Zhengping and Mr. Shou Binan. All of the above three are Independent Non-executive Directors and none of them is a former partner of the external auditor of the Group. Its major responsibilities are:

- to oversee the relationship with the external auditor, including:

  (i) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions of resignation or dismissal of such auditor;

  (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and

  (iii) developing and implementing policy on the engagement of external auditor to supply non-audit services;

- to monitor the integrity of financial statements and reports of the Group and to review significant financial reporting judgements contained therein; and

- to review the effectiveness of the Group's financial reporting and internal control systems.

The committee meets the external auditor, qualified accountant and senior management of the Company regularly. During 2008 and up to the date of this report, the committee held six meetings and reviewed:

- the remuneration and terms of engagement of the external auditor for each of the two years ended 31 December 2007 and 2008;

- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2008, and made recommendations to the Board;

- the integrity of the Group's annual accounts for the two years ended 31 December 2007 and 2008 and the interim results for the six months ended 30 June 2008;

- the continuing connected transactions of the Group during 2007 and 2008 which were subject to review by the Independent Non-executive Directors under the Listing Rules;

- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- the nature and scope of audit and reporting obligations of external auditor;

- the policy on engagement of external auditor to supply non-audit services; and

- the external auditor's management letters and the management's response thereto.

DELEGATION BY THE BOARD *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

In 2008 and up to the date of this report, the Company engaged KPMG as the external auditor of the Group. KPMG provided audit and audit related services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Nature of service	Fees RMB
Review of the Group's financial statements for the six months ended 30 June 2008	350,000
Audit of the Group's financial statements and performance of agreed-upon procedures on certain continuing connected transactions for the year ended 31 December 2008	1,880,000

In addition, the Group engaged KPMG as the reporting accountant in relation to certain very substantial acquisitions of certain assets of CIMC by the Group. The relevant fee will be borne by the vendors of such acquisitions.

Save as disclosed above, the Group did not engage KPMG for any other services during 2008 and up to the date of this report.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Jin Jianlong, an Executive Director. Its other members are Mr. Gao Zhengping and Mr. Shou Binan, both are Independent Non-executive Directors.

It establishes and supervises a formal and transparent procedure for setting the Company's remuneration policies, including determining and reviewing the remuneration packages of Directors and senior management.

During 2008 and up to the date of this report, the Remuneration Committee had:

- reviewed the Director's fees of the Independent Non-executive Directors and the Directors appointed in 2007, having consulted the chairman of the Board;

- reviewed the "Policy on Directors' Remuneration" adopted by the Board on 11 January 2007 and adopted the "Director and Senior Management Remuneration Policy", which combined the revised provisions for directors' remuneration and the provisions for senior management's remuneration; and

- determined and recommended to the Board the remuneration package of Mr. Gao Xiang, the general manager newly appointed by the Company effective from 1 January 2009.

Nomination Committee

The Nomination Committee is chaired by Mr. Jin Yongsheng, an Executive Director. Its other members are Mr. Wong Chun Ho and Mr. Gao Zhengping, both are Independent Non-executive Directors.

It identifies and recommends to the Board of suitable candidates as Director, makes recommendations to the Board on matters relating to the appointment and reappointment of and secession planning for Directors, and assesses the independence of Independent Non-executive Directors.

In 2008 and up to the date of this report, the Nomination Committee had reviewed the re-appointment and independence of the three Independent Non-executive Directors.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board is collectively responsible for ensuring a balanced, clear and understandable assessment of the Group's annual and interim reports, price-sensitive announcements and other financial disclosures and reports under statutory requirements.

In order to enable the Board to make an informed assessment of the financial and other information put before its approval, Directors are provided with financial and other operational information and analytical review reports of the Group on a monthly basis. Management would also meet with Directors regularly to present the quarterly results and discuss any variance between the budget and the actual results for monitoring purpose.

The accounting and finance department of the Company, headed by the financial controller of the Group, is specifically responsible for the accounting and financial reporting functions of the Group and for coordinating and supervising the relevant departments of all the operating subsidiaries of the Company. A majority of the staff of such departments possess academic qualifications and extensive working experience in accounting and financial reporting. The Group provides continuous on-the-job training and offers allowance for external training programmes by professional bodies to motivate the staff to enhance and refresh their knowledge on an on-going basis.

The annual and interim results of the Group are announced in a timely manner within four months and three months respectively after the end of the respective financial periods. The integrity of the financial statements is monitored by the Audit Committee. A statement of Directors' responsibility for financial statements is set out in the Directors' Report on pages 30 to 39. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 40.

Internal controls

Internal control is a process effected by an entity's board, management and other personnel to provide reasonable but not absolute assurance regarding the achievement of corporate objectives. The Group's internal control system is established to manage rather than eliminate all risks of failure, to safeguard shareholders' investment and assets from misappropriation, to maintain proper accounts and to ensure compliance with regulations towards the achievement of the Group's objectives.

The Board has the responsibility to ensure that sound and effective internal controls are maintained by the Group, while management is charged with the responsibility to establish and implement an internal control system.

The Board conducts a review on the effectiveness of the internal control system of the Group annually and will execute relevant enhancement and rectification processes according to the results of the review.

During the year, the Board has adopted the recommendations as set out in the internal audit report regarding the review of internal controls of the Group for the year 2007 prepared by an independent advisor.

For the year 2008, the Board engaged the internal audit department of CIMC to assess and report on the adequacy and effectiveness of the established internal control arrangements of the Group by performing comprehensive reviews and testing. No major deficiencies were identified in the review.

The Board has reviewed the internal review report and the Group will put in place measures to strengthen and rectify its internal control system as recommended in the report. The Board acknowledges that the strengthening of internal control system is a crucial and continual process and will conduct periodical review on the progress of such enhancement and rectification.

The management of the Company has planned to set up an internal audit division by the end of 2009 with an aim to cope with the intensifying demand for a more effective and efficient internal control system with the increasing complexity of the Group in terms of business scope and corporate size.

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal controls *(Continued)*

The Audit Committee plays an essential role in overseeing the Group's internal control system. To ensure sufficient resources are provided for the Audit Committee to make informed decisions, information and assessment of financial and non-financial controls, management letters from the external auditor on matters identified during the course of statutory audit and review as well as the internal review report from CIMC were presented to the committee. The committee discusses with the management twice a year for ensuring that they have discharged their duty to establish and implement an effective internal control system. The committee will report its findings and recommendations to the Board for consideration.

Regarding the dissemination of price sensitive information, the Company has procedures in place to monitor the communication and reporting of such information and make immediate announcements pursuant to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange in 2002. Only delegated Directors and officers of the Company are authorised to respond to external enquiries in allocated areas of issues. Directors and relevant employees of the Group are required to follow the Model Code when dealing with the Company's securities.

The Directors confirmed that they had conducted a review on the effectiveness of the internal control system of the Group in accordance with the Listing Rules and the Group's operational procedure guidelines. The Board considered the internal control system of the Group effective and adequate throughout the year.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Board believes that effective communication of full and clear information of the Company is the key to enhance corporate governance standards and shareholders' confidence.

The Company holds conferences with analysts and the press to announce its annual and interim results. The Directors and designated senior management maintain on-going dialogue with investors and analysts through one-to-one meetings, roadshows and site visits.

The Company also keeps investors informed of its latest development via various publications such as press releases, announcements and annual and interim reports, which are available on the Company's website.

An AGM provides a constructive forum to maintain regular and mutual communication with shareholders. The Company will arrange the chairman of the Board and the respective chairman of each of the Board committees (including the Independent Board Committee, where applicable), or if failing so due to unexpected and/or uncontrollable reasons, his/their duly appointed delegate(s), to attend the general meetings to exchange views with shareholders and answer their questions.

Separate resolutions are proposed on each substantially separate issue, including the election or re-election of each Director nominated.

To ensure the votes cast are properly counted and recorded, it is the current practice of the Company to appoint representatives of its branch share registrar as scrutineer of the voting procedures in general meetings.

Shareholders' rights

Any shareholder is encouraged and entitled to attend all general meetings, provided that their shares have been recorded in the register of members of the Company. Prior notice of general meetings will be given to all registered shareholders by post.

On the general meetings of the Company held in previous years, shareholders could exercise their right to demand a poll pursuant to the Listing Rules then in force and the articles of association of the Company. The procedures for and rights of demand a poll were set out in the circulars accompanying the general meeting notices dispatched to shareholders and explained by the chairman of the general meeting.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Effective communication *(Continued)*

Shareholders' rights *(Continued)*

In future general meetings, all resolutions will be put to the vote by polls pursuant to the latest amended Listing Rules effective from 1 January 2009. The chairman of a general meeting will, as current practice, explain the detailed procedures for conducting a poll at the commencement of a meeting and address queries from shareholders. Longer notice periods will be given for convening general meetings. Shareholders will be given at least 20 clear business days' notice for AGMs and at least 10 clear business days' notice for all other general meetings.

Pursuant to article 58 of the articles of association of the Company, any shareholder(s) (at the date of deposit of requisition holding not less than 10% of the paid up capital of the Company carrying voting right at a general meeting) can require an extraordinary general meeting ("EGM") by sending a written requisition together with the proposed agenda items to the Board or the Company Secretary. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by him/them therefrom can be reimbursed by the Company.

General meetings held in 2008

In 2008, the Company held one AGM and one EGM.

The most recent general meeting was the AGM held on 23 May 2008 at Room K-2, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong. Among the businesses transacted in the AGM, three resolutions were proposed therein and 100% of votes were cast in favour of each of the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. Extract of the resolutions are as follows:

- the granting of a general mandate to issue shares;
- the granting of a general mandate to repurchase shares; and
- the extension of the general mandate to issue shares.

Full text of the above resolutions is set out in the notice of annual general meeting contained in the circular of the Company dated 28 April 2008. The results of the AGM were published on the websites of the Stock Exchange and the Company.

Investor relations contacts

The Company values feedbacks from shareholders, investors and the public. Enquiries and proposals are welcome and can be put to the Company via the following means:

By phone:	(852) 2528 9386
By fax:	(852) 2865 9877
By post:	Rooms 3104, 31st Floor, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong Attention to: Mr. Cheong Siu Fai
By email:	enric@enric.com.hk

The latest investor relations information is available at the Company's investor relations portal at www.irasia.com/listco/hk/enric.

CHANGE OF ARTICLES OF ASSOCIATION

Throughout the year ended 31 December 2008, no amendment was made to the articles of association of the Company.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 20 March 2009

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of integrated business solutions in the energy equipment industry and the design, manufacture and sale of specialised gas equipment. Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's profit or loss for the year then ended. In preparation of the financial statements, the Directors are required to:

(a) select appropriate accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;

(b) explain any significant departure from accounting standards; and

(c) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for employing reasonable procedures to prevent and detect fraud and other irregularities.

The profit of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs as at such date are set out in the financial statements on pages 41 to 91.

DIVIDENDS AND RESERVES

The Directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: nil).

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2008 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	9.6%	–
Five largest customers in aggregate *(Note 1)*	19.9%	–
The largest supplier	–	22.1%
Five largest suppliers in aggregate *(Note 2)*	–	53.5%

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

Notes:

1. One of the top five customers of the Group is a company in which Xinao Group International Investment Limited ("XGII"), holding more than 5% of the issued shares of the Company as at 31 December 2008, has substantial interests in its capital. Mr. Wang Yusuo ("Mr. Wang") and Ms. Zhao Baoju ("Ms. Zhao"), both of whom are former Directors, have substantial interests in XGII. Further details are set out in the section headed "Connected Transactions and Directors' Interests in Contracts" in this report.

2. One of the top five suppliers of the Group is a company in which China International Marine Containers (Group) Co., Ltd. ("CIMC", 中國國際海運集裝箱(集團)股份有限公司), holding more than 5% of the issued shares of the Company as at 31 December 2008, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Directors' Interests in Contracts" in this report.

3. Save as disclosed above, at no time during the year have the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in any of the five largest customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

RETIREMENT SCHEMES

The Group participates in government pension schemes for its employees in Mainland China and operates a Mandatory Provident Fund scheme for its employees in Hong Kong. Particulars of these schemes are set out in note 29 to the financial statements.

CHARITABLE DONATIONS

During the year, charitable donations made by the Group amounted to RMB1,400 (2007: RMB20,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

BANK LOANS

Details of bank loans of the Group at 31 December 2008 are set out in note 21 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last six financial years is set out on page 4.

DIRECTORS

During the year and up to the date of this report, the Board comprised:

Executive Directors

Mr. Zhao Qingsheng *(Chairman)*
Mr. Jin Yongsheng *(Chief Executive Officer)*
Mr. Wu Fapei
Mr. Jin Jianlong
Mr. Yu Yuqun
Mr. Shi Caixing
Mr. Qin Gang

Non-executive Director

Mr. Yang Yu

Independent Non-executive Directors

Mr. Wong Chun Ho
Mr. Gao Zhengping
Mr. Shou Binan

At the forthcoming annual general meeting, Messrs Zhao Qingsheng, Wu Fapei, Jin Jianlong and Yu Yuqun will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the articles of association of the Company (the "Articles").

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares and underlying shares of the Company

Director	Capacity	Interests in ordinary shares of the Company		Interests in underlying shares of the Company		Aggregate interests in shares and underlying shares of the Company	
		No. of shares	*%* *(Note 1)*	*No. of shares*	*%* *(Note 1)*	*No. of shares*	*%* *(Note 1)*
Mr. Zhao Qingsheng	Beneficial owner and beneficiary of a trust	214,000	0.05%	279,185,998 *(Note 2)*	60.82%	279,399,998	60.87%
Mr. Jin Yongsheng	Beneficial owner	246,000	0.05%	–	–	246,000	0.05%
Mr. Wu Fapei	Beneficiary of a trust	–	–	279,185,998 *(Note 2)*	60.82%	279,185,998	60.82%

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Interests in shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2008, which was 459,000,000 ordinary shares.

2. On 2 September 2008, the Company as purchaser and China International Marine Containers (Hong Kong) Limited ("CIMC HK") and CIMC Vehicle Investment Holdings Company Limited ("CIMC Vehicle") as vendors entered into a conditional sale and purchase agreement (the "China Acquisition Agreement"), pursuant to which the Company conditionally agreed to purchase from CIMC HK and CIMC Vehicle, and CIMC HK and CIMC Vehicle conditionally agreed to sell to the Company the entire issued share capital of a company solely held by the vendors, at an aggregate consideration to be settled in full by the allotment and issue of a total of 202,787,960 new ordinary shares and 1,195,749,690 new convertible preference shares by the Company. After completion of the China Acquisition Agreement, CIMC Vehicle will hold an aggregate of 279,185,998 shares (comprising 40,481,970 new ordinary shares and 238,704,028 new convertible preference shares) of the Company. As at the date of this report, the China Acquisition Agreement has not yet been completed.

   As CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group", 中集車輛(集團)有限公司) is the sole shareholder of CIMC Vehicle, CIMC Vehicle Group is deemed to be interested in the said 279,185,998 underlying shares of the Company.

   Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, Shenzhen International Trust & Investment Co., Ltd. (深圳國際信託投資有限責任公司) has been appointed as trustee to acquire and to hold on trust, for the benefit of certain senior management of CIMC and certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the plan, there are a total of 220,700,000 stock credit units, of which 45,000,000 units have been allocated. Mr. Zhao Qingsheng and Mr. Wu Fapei, both Directors, are participants in the plan, each with 3,000,000 allocated units.

   Hence, Mr. Zhao and Mr. Wu are deemed to be interested in the abovementioned 279,185,998 underlying shares of the Company as a beneficiary of a trust.

   Details of the China Acquisition Agreement and the transactions contemplated thereunder are contained in the announcements of the Company dated 10 September 2008, 30 September 2008, 2 October 2008 and 12 December 2008 respectively.

Interests in shares and underlying shares of associated corporation

Associated corporation	Director	Capacity	Interests in shares held	Shareholding % *(Note)*
CIMC Vehicle Group	Mr. Zhao Qingsheng	Beneficiary of a trust	3,000,000	1.36%
CIMC Vehicle Group	Mr. Wu Fapei	Beneficiary of a trust	3,000,000	1.36%

Note: The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2008, which was 220,700,000 units.

Save as disclosed above, as at 31 December 2008, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

No person had any rights to subscribe for equity or debt securities of the Company as at 31 December 2008, nor have any such rights been granted or exercised during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2008, the interests and short positions of every substantial shareholder, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Interests in ordinary shares of the Company		Interests in underlying shares of the Company		Aggregate interests in shares and underlying shares of the Company	
		No. of shares	*%* *(Note 1)*	*No. of shares*	*%* *(Note 1)*	*No. of shares*	*%* *(Note 1)*
CIMC	Interest of controlled corporation	190,703,000 *(Note 2)*	41.55%	1,893,890,159 *(Note 3)*	412.61%	2,084,593,159	454.16%
CIMC HK	Interest of controlled corporation and beneficial owner	190,703,000 *(Note 2)*	41.55%	1,614,704,161 *(Note 4)*	351.79%	1,805,407,161	393.33%
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 *(Note 2)*	41.55%	–	–	190,703,000	41.55%
P.G.M. Holding B.V. ("PGM")	Beneficial owner	–	–	123,838,127 *(Note 5)*	26.98%	123,838,127	26.98%
Mr. Wang	Interest of controlled corporation and beneficial owner	45,441,000 *(Note 6)*	9.90%	–	–	45,441,000	9.90%
Ms. Zhao	Interest of controlled corporation and interest of spouse	45,441,000 *(Note 6)*	9.90%	–	–	45,441,000	9.90%
XGII	Beneficial owner	43,441,000 *(Note 6)*	9.46%	–	–	43,441,000	9.46%
Commonwealth Bank of Australia	Interest of controlled corporation	41,233,000	8.98%	–	–	41,233,000	8.98%
DnB Nor Asset Management (Asia) Limited	Investment manager	30,538,000	6.65%	–	–	30,538,000	6.65%
Symbiospartners Private Equity Limited	Beneficial owner	26,016,000	5.67%	–	–	26,016,000	5.67%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Continued)*

Notes:

1. The percentages are calculated based on the total number of issued shares of the Company as at 31 December 2008, which was 459,000,000 ordinary shares;

2. The three references to 190,703,000 shares refer to the same block of shares held by Charm Wise, which is wholly owned by CIMC HK, a wholly-owned subsidiary of CIMC;

3. The 1,893,890,159 shares comprise (i) the same block of 1,614,704,161 underlying shares to be held by CIMC HK, a wholly-owned subsidiary of CIMC, upon the completion of both the China Acquisition Agreement and the European Acquisition Agreement (as defined hereinbelow); and (ii) the 40,481,970 new ordinary shares and 238,704,028 new convertible preference shares to be held by CIMC Vehicle, which is controlled by CIMC, upon completion of the China Acquisition Agreement.

   As at the date of this report, the two agreements have not yet been completed.

   The "European Acquisition Agreement" is a conditional sale and purchase agreement dated 2 September 2008 made between the Company as purchaser and CIMC HK and PGM as vendors in respect of the conditional acquisition of the entire issued share capital of a company solely held by the vendors. Details of the European Acquisition Agreement and the transactions contemplated thereunder are contained in the announcements of the Company dated 10 September 2008, 30 September 2008, 2 October 2008 and 12 December 2008 respectively;

4. The 1,614,704,161 shares comprise the 234,132,104 new ordinary shares and the 1,380,572,057 new convertible preference shares to be held by CIMC HK upon the completion of both the China Acquisition Agreement and the European Acquisition Agreement;

5. The 123,838,127 shares refer to the new ordinary shares to be held by PGM upon completion of the European Acquisition Agreement; and

6. The 45,441,000 shares comprise (i) the 43,441,000 shares relating to the same block of shares held by XGII, which is beneficially owned as to 50% by Mr. Wang and as to 50% by Ms. Zhao; and (ii) the 2,000,000 shares beneficially owned by Mr. Wang, and Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in the same shares.

Save as disclosed above, as at 31 December 2008, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company; and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

SHARE OPTIONS

The Company has adopted a share option scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006 (the "Scheme"). Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group.

Under the Scheme, the Board is authorised, at its absolute discretion, to invite any Directors (including Non-executive and Independent Non-executive Directors) or any employees (whether full-time or part-time) of any member of the Group, and any eligible persons to subscribe for shares of the Company.

The Scheme has a term of ten years and will expire on 11 July 2016, after which no further options will be granted. The share options are exercisable for a period to be notified by the Board to each participant, which shall not exceed 10 years from the date of grant. There is no minimum period which an option must be held before it can be exercised, but the Board is authorised to impose at its discretion any such minimum period at the date of grant. The share options granted must be taken up within 14 days from the date of grant and on acceptance of each grant, a consideration of HKD1.00 is payable.

The exercise price of an option shall be at least the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average price of the closing prices of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five consecutive trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share.

SHARE OPTIONS *(Continued)*

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 44,520,000 shares, which represents 10% of the issued share capital of the Company as at the date of adoption of the Scheme. However, the Board may seek approval of the shareholders in general meeting for refreshing the 10% limit and/or for granting options beyond the 10% limit. Notwithstanding the refreshed limit and granting of options beyond the limit, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised must not exceed 30% of the total number of shares in issue from time to time.

As at the date of this report, a total of 44,520,000 shares, representing 9.70% of the issued share capital of the Company are available for issue under the Scheme.

The maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Where further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant under the Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total shares in issue, such further grant shall be subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting.

As at the date of this report, no options have been granted under the Scheme.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

At the date of this report, the following Directors were interested in the following businesses apart from the Group's business, which competes or may compete, either directly or indirectly, with the Group's business:

Director	Entity	Description of business	Nature of interest of the Director in the entity
Mr. Jin Jianlong	Nantong CIMC Tank Equipment Co., Ltd. (南通中集罐式儲運設備製造有限公司)	The production and sales of tank containers	director
Mr. Wu Fapei	Nantong CIMC Tank Equipment Co., Ltd. (南通中集罐式儲運設備製造有限公司)	(same as above)	director
Mr. Shi Caixing	Zhejiang CIMC Sanctum Cryogenic Equipment Co., Ltd. (張家港中集聖達因低溫裝備有限公司)	The design, production, sales and technical service of cryogenic storage and transportation equipment	director

The Group is engaged in the provision of integrated business solutions in the energy equipment industry and the design, manufacture and sale of specialised gas equipment.

The entities in which the Directors have declared interests are managed by separate boards of directors and management, who are accountable to their respective stakeholders.

DIRECTORS' INTERESTS IN COMPETING INTERESTS *(Continued)*

When making decisions on such businesses, the relevant Directors, in the performance of their Directors' duties, have acted and will continue to act in the best interests of the Group as a whole.

The decision-making mechanism of the Board set out in Articles includes provisions to avoid conflicts of interest by providing, among other things, that (i) each Director is entitled to one vote at Board meetings and decisions of the Board are passed by a majority of votes; and (ii) in the event of any conflict of interests, such as where it involves the passing of resolutions in relation to transactions where any Director is materially interested, the relevant Director shall declare his interests and, unless otherwise permitted under the Articles, abstain from voting and not be counted in the quorum. As a current practice, any matter involving conflict of interests will be passed in a Board meeting with the presence of Independent Non-executive Directors who, and whose associates, have no interest therein.

The Board is therefore of the view that the Group is capable of carrying on its business independently of, and at arm's length from, the businesses in which the Directors have declared interests.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group carried out the following transactions which constituted connected transactions under Chapter 14A of the Listing Rules:

Continuing connected transactions subject to annual review

On 1 November 2007, the Group entered into a product sales agreement with CIMC (Note 1) under which the Group agreed to purchase from CIMC and its subsidiaries and associates (collectively, the "Seller Group") certain transportation equipment for manufacturing operation purpose, for a term of two years commencing on 1 November 2007. During the year, the Group's purchase from the Seller Group amounted to RMB74,300,000.

On 31 December 2007, the Group entered into a product sales agreement with CIMC under which the Group agreed to sell to CIMC and its subsidiaries and associates (the "Purchaser Group") certain storage and transportation equipment for the purpose of providing finance lease by the Purchaser Group to customers referred by the Group and/or for the purpose of manufacturing operation of the Purchaser Group, for a term of three years commencing from 1 January 2008. During the year, the Group's sale to the Purchaser Group was RMB21,700,000.

On 31 December 2007, the Group entered into a product sales agreement with Xinao Gas Holdings Limited ("Xinao Gas") (Note 2) pursuant to which the Group agreed to sell to Xinao Gas and its subsidiaries and associates (the "Xinao Gas Group") certain storage and transportation equipment for the purpose of manufacturing and business operations of the Xinao Gas Group, for a term of one year commencing from 1 January 2008. During the year, the Group's sale to the Xinao Gas Group was RMB64,700,000.

On 31 December 2007, the Group entered into a product sales agreement with Xinneng Energy Limited ("XE", 新能能源有限公司) (Note 2), Xinao Coal Gasification Mining Limited ("XCGM", 新奧氣化採煤有限公司) (Note 2), Hebei Veyong Group Company Limited ("Hebei Veyong", 河北威遠集團有限公司) (Note 2) and Xinneng (Zhangjiagang) Energy Limited ("XZE", 新能(張家港)能源有限公司) (Note 2) under which the Group agreed to sell to XE, XCGM, Hebei Veyong and XZE together with their respective subsidiaries and associates (the "2nd Purchaser Group") certain storage and transportation equipment for the purpose of manufacturing and business operations of the 2nd Purchaser Group, for a term of one year commencing from 1 January 2008. During the year, the Group's sale to the 2nd Purchaser Group totaled RMB700,000.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS *(Continued)*

Continuing connected transactions subject to annual review *(Continued)*

The Independent Non-executive Directors have reviewed the above transactions and confirmed that in their opinion the above transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or from independent third parties; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditor of the Company has reported the factual findings on these procedures to the Board. The Board has received from the auditor of the Company a letter reporting that the above transactions:

1. have received the approval of the Board;

2. have been entered into in accordance with the relevant agreements governing the transactions; and

3. have not exceeded the relevant annual caps.

Other connected transactions

On 3 December 2007, the Group entered into an asset transfer agreement with Xinao Group Shijiazhuang Chemical Machinery Company Limited ("Xinao Shijiazhuang", 新奥集團石家莊化工機械股份有限公司) (Note 2) pursuant to which the Group agreed to acquire certain assets from Xinao Shijiazhuang for operating purpose. The aggregate consideration incurred in 2008 was RMB10,106,000.

On 31 December 2007, the Group entered into a product sales agreement with Hebei Veyong pursuant to which the Group agreed to purchase from Hebei Veyong and/or its subsidiaries and associates certain raw materials for manufacturing purpose, for a term of one year commencing on 1 January 2008. During the year, the Group's purchase made thereunder was RMB4,635,000.

On 31 December 2007, the Group entered into a product sales agreement with Hebei Finance Leasing Company Limited ("Hebei Finance", 河北省金融租賃有限公司) (Note 2) under which the Group agreed to sell to Hebei Finance and its subsidiaries and associates (the "3rd Purchaser Group") certain storage and transportation equipment for the purpose of providing finance lease by the 3rd Purchaser Group to customers referred by the Group and/or for the purpose of manufacturing operation of the 3rd Purchaser Group, for a term of one year commencing on 1 January 2008. During the year, the Group did not make any sale to the 3rd Purchaser Group.

On 31 December 2007, the Group entered into a gas provision agreement with Xinao Gas under which the Group agreed to purchase gas from Xinao Gas Group for the Group's own consumption. During the year, the Group's purchase of gas from the Xinao Gas Group amounted to RMB4,000,000.

Save as disclosed above, no other contracts of significance to which the Company or its subsidiaries or its holding company or a subsidiary of its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed above, no other contracts of significance between the Company or its subsidiaries and a controlling shareholder or its subsidiaries subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS *(Continued)*

Other connected transactions *(Continued)*

Notes:

1. CIMC is the holding company of Charm Wise, a substantial shareholder of the Company.

2. Xinao Gas, XE, XCGM, Hebei Veyong, XZE, Xinao Shijiazhuang and Hebei Finance are associates of Mr. Wang Yusuo, a former Executive Director who resigned as Director with effect from 15 October 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the year ended 31 December 2008.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence and considered each of them independent to the Group pursuant to Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year.

The Company's corporate governance report is set out on pages 19 to 29. Details of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are given in the same report. The Audit Committee has reviewed and discussed with management the annual results and the audited financial statements for the year ended 31 December 2008.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has, during the year and up to the date of this report, maintained a public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

The financial statements for the year have been audited by KPMG, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 20 March 2009

Independent Auditor's Report

To the shareholders of Enric Energy Equipment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enric Energy Equipment Holdings Limited (the "Company") set out on pages 41 to 91, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 RMB	2007 RMB
Turnover	3	1,237,280,263	940,991,256
Cost of sales		(907,730,951)	(686,513,120)
Gross profit		329,549,312	254,478,136
Other revenue	4	12,903,177	8,761,854
Other net (expenses)/income	4	(1,230,400)	296,264
Selling expenses		(62,187,296)	(42,460,347)
Administrative expenses		(111,706,758)	(85,188,282)
Profit from operations		167,328,035	135,887,625
Finance costs	5(a)	(9,749,534)	(11,716,448)
Profit before taxation	5	157,578,501	124,171,177
Income tax	6(a)	(23,171,847)	(5,295,118)
Profit for the year attributable to equity shareholders of the Company		134,406,654	118,876,059
Earnings per share	11		
– Basic		0.293	0.264
– Diluted		0.293	0.260

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 RMB	2007 RMB
Non-current assets			
Property, plant and equipment	12	226,136,331	208,092,809
Construction in progress	13	10,132,989	15,074,608
Lease prepayments	14	59,307,065	40,705,310
Intangible assets	15	8,551,942	6,759,251
Deposits for land use right		–	6,112,320
Prepayments for equity investment		17,070,063	–
Deferred tax assets	26(a)	3,745,071	2,195,763
		324,943,461	278,940,061
Current assets			
Inventories	17	519,224,786	276,905,649
Trade and bills receivable	18	273,728,540	194,116,262
Deposits, other receivables and prepayments	19	77,140,195	36,778,081
Amounts due from related parties	31(b)(I)	2,052,942	300,000
Cash at bank and in hand	20	243,405,060	273,875,471
		1,115,551,523	781,975,463
Current liabilities			
Bank loans	21	166,803,157	140,899,217
Trade and bills payable	22	265,846,508	168,618,289
Other payables and accrued expenses	23	189,957,656	85,743,772
Income tax payable		9,330,751	3,726,135
Amounts due to related parties	31(b)(II)	20,072,177	12,080,449
Provision	25	4,850,717	2,605,539
Deferred income	27	–	1,400,000
		656,860,966	415,073,401
Net current assets		458,690,557	366,902,062
Total assets less current liabilities		783,634,018	645,842,123
Non-current liabilities			
Deferred tax liabilities	26(a)	3,385,241	–
NET ASSETS		780,248,777	645,842,123
CAPITAL AND RESERVES			
Share capital	28	4,768,770	4,768,770
Reserves	28	775,480,007	641,073,353
TOTAL EQUITY		780,248,777	645,842,123

Approved and authorised for issue by the Board of Directors on 20 March 2009.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 47 to 91 form part of these financial statements.

Balance Sheet

At 31 December 2008

	Note	2008 RMB	2007 RMB
Non-current assets			
Investments in subsidiaries	16	119,825,371	119,825,371
		119,825,371	119,825,371
Current assets			
Amounts due from a subsidiary	32	284,422,892	267,977,050
Cash at bank and in hand	20	69,248	16,799,004
		284,492,140	284,776,054
Net current assets		284,492,140	284,776,054
Total assets less current liabilities		404,317,511	404,601,425
NET ASSETS		404,317,511	404,601,425
CAPITAL AND RESERVES			
Share capital	28	4,768,770	4,768,770
Reserves	28	399,548,741	399,832,655
TOTAL EQUITY		404,317,511	404,601,425

Approved and authorised for issue by the Board of Directors on 20 March 2009.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 47 to 91 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	2008 RMB	2007 RMB
Total equity at 1 January	28	645,842,123	505,524,440
Net profit for the year	28	134,406,654	118,876,059
Movements in equity arising from capital transactions:			
Equity-settled share-based transactions	28	–	1,349,822
Issuance of shares in connection with exercise of share options	28	–	20,091,802
		–	21,441,624
Total equity at 31 December		780,248,777	645,842,123

The notes on pages 47 to 91 form part of these financial statements.

Enric Energy Equipment Holdings Limited

Annual Report 2008

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB	2007 RMB
Operating activities			
Profit before taxation		157,578,501	124,171,177
Adjustments for:			
Depreciation	5(c)	22,579,561	17,304,734
Amortisation of intangible assets	5(c)	1,364,277	1,105,513
Amortisation of lease prepayments	5(c)	1,280,335	693,982
Interest income	4	(3,086,113)	(3,533,701)
Interest charges	5(a)	11,491,055	11,169,710
Loss on disposal of property, plant and equipment	4	2,048,162	252,219
Equity-settled share-based payment expenses	5(b)	–	1,349,822
Foreign exchange loss/(gain)		1,175,525	(102,295)
Operating profit before changes in working capital		194,431,303	152,411,161
Increase in inventories		(242,319,137)	(62,119,397)
Increase in trade and bills receivable		(79,612,278)	(123,645,222)
Increase in deposits, other receivables and prepayments		(37,962,114)	(14,346,663)
(Increase)/decrease in amounts due from related parties		(1,752,942)	20,717,425
(Increase)/decrease in restricted bank deposits for letters of credit		(20,450,272)	9,330,000
Increase in trade and bills payable		97,228,219	53,419,855
Increase/(decrease) in other payables and accrued expenses		97,230,284	(513,275)
Increase/(decrease) in amounts due to related parties		7,991,728	(14,670,389)
(Decrease)/increase in deferred income		(1,400,000)	1,400,000
Increase in provision for product warranties		2,245,178	–
Cash generated from operations		15,629,969	21,983,495
Income tax paid		(15,731,298)	(4,003,893)
Net cash (used in)/from operating activities		(101,329)	17,979,602
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		(41,158,577)	(69,745,315)
Payment for acquisition of lease prepayments		(6,786,170)	(11,497,000)
Payment for intangible assets		(3,156,968)	(63,500)
Prepayment for equity investment		(17,070,063)	–
Proceeds from disposal of property, plant and equipment		1,028,951	223,943
Disposal of construction in progress		–	41,862,242
Interest received		3,086,113	3,533,701
Net cash used in investing activities		(64,056,714)	(35,685,929)

	Note	2008 RMB	2007 RMB
Financing activities			
Proceeds from issuance of shares in connection with exercise of share options	28	–	20,091,802
Proceeds from new bank loans		298,577,084	251,760,674
Repayment of bank loans		(270,226,488)	(276,736,258)
Interest paid		(11,491,055)	(11,169,710)
Net cash from/(used in) financing activities		16,859,541	(16,053,492)
Net decrease in cash and cash equivalents		(47,298,502)	(33,759,819)
Cash and cash equivalents at 1 January		257,191,471	292,707,317
Effect of foreign exchange rate changes		(3,622,181)	(1,756,027)
Cash and cash equivalents at 31 December	20	206,270,788	257,191,471

The notes on pages 47 to 91 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (collectively referred to as the "Group") and are expressed in Renminbi unless otherwise indicated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m) or (n) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently recognised in the balance sheet at cost less impairment losses (see note 1(j)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

(i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 to 30 years
Leasehold improvements	2 to 5 years
Machinery	10 years
Motor vehicles	6 years
Office equipment	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iii) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 1(j)). Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided for construction in progress.

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 10 years.

Both the period and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Lease prepayments

Lease prepayments represent payments for land use rights to the People's Republic of China ("PRC") authorities. Land use rights are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(j)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- investments in subsidiaries; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) ***Impairment of other assets*** *(Continued)*

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) ***Interim financial reporting and impairment***

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services

Revenue from services is recognised in profit or loss at the time when services are rendered.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Unconditional government grants are recognised in profit or loss as income when the grants become receivable.

Other government grants are presented initially in the balance sheet and shall be recognised in profit or loss when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants. Grants related to assets are presented as deferred income in the balance sheet and are recognised in profit or loss on a systematic and rational basis over the useful lives of the assets. Grants related to compensating expenses are recognised in profit or loss on a systematic and rational basis in the same period as those expenses are charged in the profit or loss and are deducted in reporting the related expenses.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Renminbi using the foreign exchange rates ruling at the transaction dates.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format for the purposes of these financial statements. As the Group's operations are predominantly in the PRC, no geographical segment information is presented.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group:

- HK(IFRIC) 11, *HKFRS 2 – Group and treasury share transactions*

- HK(IFRIC) 12, *Service concession arrangements*

- HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*

- Amendments to HKAS 39, *Financial instruments: Recognition and measurement*, and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

3. TURNOVER

The Group is principally engaged in the provision of integrated business solutions in the gas energy industry and the design, manufacture and sale of specialised gas equipment. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The Group's core products are pressure vessels, compressors and integrated business solutions for gas equipment.

4. OTHER REVENUE AND OTHER NET (EXPENSES)/INCOME

		2008 RMB	2007 RMB
Other revenue			
Government grants	(i)	5,321,581	2,035,400
Other operating revenue	(ii)	4,495,483	3,192,753
Interest income from bank deposits		3,086,113	3,533,701
		12,903,177	8,761,854

(i) Government grants represent various forms of incentives and subsidies given to subsidiaries by the local PRC government.

(ii) Other operating revenue consists mainly of income earned from subcontracting services and the sale of scrap metals.

	2008 RMB	2007 RMB
Other net (expenses)/income		
Loss on disposal of property, plant and equipment	(2,048,162)	(252,219)
Charitable donations	(1,399)	(20,000)
Other net income	819,161	568,483
	(1,230,400)	296,264

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2008 RMB	2007 RMB
Interest on bank loans	11,491,055	11,169,710
Foreign exchange gain	(2,818,810)	(10,512)
Finance charges	1,077,289	557,250
	9,749,534	11,716,448

5. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs#

	2008 RMB	2007 RMB
Salaries, wages and allowances	95,844,561	71,356,538
Contributions to retirement schemes (note 29)	5,577,524	5,058,819
Equity-settled share-based payment expenses	–	1,349,822
	101,422,085	77,765,179

(c) Other items

	2008 RMB	2007 RMB
Cost of inventories#	907,730,951	686,513,120
Auditors' remuneration	2,542,604	2,212,560
Depreciation of property, plant and equipment#	22,579,561	17,304,734
Amortisation of intangible assets	1,364,277	1,105,513
Amortisation of lease prepayments	1,280,335	693,982
Impairment losses for:		
– Trade receivables	4,596,806	1,718,169
– Other receivables	419,558	–
Write-back of impairment losses for trade receivables	–	(21,344)
Write down of inventories	942,677	–
Reversal of write down of inventories	(763,995)	(413,516)
Research and development costs	20,743,596	15,052,518
Operating lease charges for property rental	3,197,867	1,831,762
Provision for product warranties	9,794,880	6,704,427

Cost of inventories includes RMB47,843,071 (2007: RMB35,389,900) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 RMB	2007 RMB
Current tax		
Provision for the year	21,853,195	5,606,497
Over-provision in respect of prior years	(517,281)	–
	21,335,914	5,606,497
Deferred tax		
Origination and reversal of temporary differences	1,835,933	(311,379)
	23,171,847	5,295,118

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year. Profits of the Company's subsidiaries in the PRC are subject to PRC income taxes.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which takes effect on 1 January 2008. As a result of the new tax law, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25% since then.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from state income tax for the first two years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in state income tax rate for the following three years.

According to the new tax law, the existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. The applicable income tax rate under the preferential tax policy of the Company's subsidiaries in the PRC expires at the shorter of the existing preferential tax period and the five-year transitional period.

During the year ended 31 December 2008, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and accordingly the Company's subsidiaries were subject to income tax at 12.5% to 25% (2007: 0% to 15%).

In addition, according to the new tax law, PRC subsidiaries of the Company are levied the withholding tax on the dividends to their foreign investors arising from profits earned subsequent to 1 January 2008. Deferred tax liability amounting to RMB3,385,241 (see note26(a)) had been recognised in this regard.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 RMB	2007 RMB
Profit before taxation	157,578,501	124,171,177
Notional tax on profit before taxation, calculated at the applicable rates	42,560,442	28,816,583
Tax effect of tax holiday granted	(20,676,811)	(14,719,670)
Tax incentives granted	(2,022,388)	(8,955,468)
Tax effect of non-deductible expenses	442,644	153,673
Deferred tax charge on distributable profits withholding tax	3,385,241	–
Over-provision in prior years	(517,281)	–
Actual tax expense	23,171,847	5,295,118

7. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year ended 31 December 2008 are as follows:

	Directors' fees RMB	Salaries, allowances and benefits in kind RMB	Retirement scheme contributions RMB	Discretionary bonuses RMB	Sub-Total RMB	Share-based payments RMB	Total RMB
Chairman:							
Zhao Qingsheng	–	–	–	–	–	–	–
Executive Directors:							
Jin Yongsheng	–	620,586	4,758	–	625,344	–	625,344
Wu Fapei	–	–	–	–	–	–	–
Jin Jianlong	–	–	–	–	–	–	–
Yu Yuqun	–	–	–	–	–	–	–
Shi Caixing	–	–	–	–	–	–	–
Qin Gang	–	–	–	–	–	–	–
Non-executive Director:							
Yang Yu	108,936	–	–	–	108,936	–	108,936
Independent Non-executive Directors:							
Gao Zhengping	108,936	–	–	–	108,936	–	108,936
Shou Binan	108,936	–	–	–	108,936	–	108,936
Wong Chun Ho	108,936	–	–	–	108,936	–	108,936
	435,744	620,586	4,758	–	1,061,088	–	1,061,088

7. DIRECTORS' REMUNERATION *(Continued)*

Details of directors' remuneration for the year ended 31 December 2007 are as follows:

	Directors' fees RMB	Salaries, allowances and benefits in kind RMB	Retirement scheme contributions RMB	Discretionary bonuses RMB	Sub-Total RMB	Share-based payments RMB	Total RMB
Chairman:							
Wang Yusuo ("Mr. Wang") #	–	713,515	–	–	713,515	363,373	1,076,888
Zhao Qingsheng *	–	–	–	–	–	–	–
Executive Directors:							
Jin Yongsheng	–	611,262	3,917	–	615,179	181,687	796,866
Cai Hongqiu #	–	475,677	–	–	475,677	127,180	602,857
Zhao Xiaowen #	–	351,321	3,030	–	354,351	90,843	445,194
Zhou Kexing #	–	317,118	–	–	317,118	90,843	407,961
Yu Jianchao #	–	237,839	–	–	237,839	90,843	328,682
Cheong Siu Fai ##	–	570,812	9,045	–	579,857	63,590	643,447
Wu Fapei *	–	–	–	–	–	–	–
Jin Jianlong *	–	–	–	–	–	–	–
Yu Yuqun *	–	–	–	–	–	–	–
Shi Caixing *	–	–	–	–	–	–	–
Qin Gang *	–	–	–	–	–	–	–
Non-executive Directors:							
Zhao Baoju #	95,136	–	–	–	95,136	–	95,136
Yang Yu *	–	–	–	–	–	–	–
Independent Non-executive Directors:							
Gao Zhengping	119,499	–	–	–	119,499	–	119,499
Shou Binan	119,499	–	–	–	119,499	–	119,499
Wong Chun Ho	119,499	–	–	–	119,499	–	119,499
	453,633	3,277,544	15,992	–	3,747,169	1,008,359	4,755,528

Resigned on 15 October 2007.
Appointed on 11 January 2007 and resigned on 15 October 2007.
* Appointed on 21 September 2007.

Share-based payments represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 24.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: five) is a director whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the other four (2007: Nil) individuals are as follows:

	2008 RMB
Salaries, allowances and benefits in kind	2,080,876
Retirement scheme contributions	20,406
	2,101,282

The emoluments of the four (2007: Nil) individuals with the highest emoluments are within the following band:

	2008 Number of individuals
HKD Nil – HKD1,000,000	4

9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes a loss of RMB283,914 (2007: RMB1,276,384) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2008 (2007: Nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary equity shareholders of the Company of RMB134,406,654 (2007: RMB118,876,059) and the weighted average number of ordinary shares of 459,000,000 (2007: 451,059,041) in issue during the year, calculated as follows:

	2008	2007
Issued ordinary shares at 1 January	459,000,000	445,200,000
Effect of share options exercised (note 24)	–	5,859,041
Weighted average number of ordinary shares at 31 December	459,000,000	451,059,041

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB134,406,654 (2007: RMB118,876,059) and the weighted average number of ordinary shares of 459,000,000 (2007: 457,308,467), calculated as follows:

	2008	2007
Weighted average number of ordinary shares used in calculating basic earnings per share at 31 December	459,000,000	451,059,041
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (note 24)	–	6,249,426
Weighted average number of ordinary shares used in calculating diluted earnings per share at 31 December	459,000,000	457,308,467

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB	Leasehold improvements RMB	Machinery RMB	Motor vehicles RMB	Office equipment RMB	Total RMB
Cost						
Balance at 1 January 2007	90,396,035	2,154,092	89,950,091	9,791,607	8,546,331	200,838,156
Additions	873,415	919,387	390,319	4,645,720	2,639,688	9,468,529
Disposals	(40,337)	–	(198,474)	(547,499)	(108,438)	(894,748)
Transfers from construction in progress	28,706,345	–	14,135,391	–	–	42,841,736
Balance at 31 December 2007	119,935,458	3,073,479	104,277,327	13,889,828	11,077,581	252,253,673
Balance at 1 January 2008	119,935,458	3,073,479	104,277,327	13,889,828	11,077,581	252,253,673
Additions	677,065	1,909,537	1,033,947	1,086,763	2,622,460	7,329,772
Disposals	(180,468)	(3,073,479)	(3,747,533)	(2,660,000)	(17,952)	(9,679,432)
Value Added Tax ("VAT") refund (i)	–	–	(2,835,456)	–	–	(2,835,456)
Transfers from construction in progress	16,562,669	–	18,861,977	–	6,181,234	41,605,880
Balance at 31 December 2008	**136,994,724**	**1,909,537**	**117,590,262**	**12,316,591**	**19,863,323**	**288,674,437**
Accumulated depreciation						
Balance at 1 January 2007	(7,404,966)	(456,993)	(14,869,796)	(2,086,904)	(2,456,057)	(27,274,716)
Charge for the year	(4,740,175)	(516,551)	(8,714,677)	(1,802,184)	(1,531,147)	(17,304,734)
Written back on disposal	5,007	–	135,816	184,750	93,013	418,586
Balance at 31 December 2007	(12,140,134)	(973,544)	(23,448,657)	(3,704,338)	(3,894,191)	(44,160,864)
Balance at 1 January 2008	(12,140,134)	(973,544)	(23,448,657)	(3,704,338)	(3,894,191)	(44,160,864)
Charge for the year	(6,307,253)	(747,303)	(10,249,694)	(2,905,052)	(2,370,259)	(22,579,561)
Written back on disposal	22,212	1,565,680	2,009,549	589,000	15,878	4,202,319
Balance at 31 December 2008	**(18,425,175)**	**(155,167)**	**(31,688,802)**	**(6,020,390)**	**(6,248,572)**	**(62,538,106)**
Net book value						
At 31 December 2008	**118,569,549**	**1,754,370**	**85,901,460**	**6,296,201**	**13,614,751**	**226,136,331**
At 31 December 2007	107,795,324	2,099,935	80,828,670	10,185,490	7,183,390	208,092,809

(i) During the year ended 31 December 2008, the Company's subsidiaries in the PRC received VAT refund from local tax authorities for their purchase of domestic manufactured equipment.

As at 31 December 2008, the Group was in the process of registering the titles of buildings with net book values of RMB63,434,965 (2007: RMB57,817,228).

13. CONSTRUCTION IN PROGRESS

	The Group	
	2008 RMB	2007 RMB
At 1 January	15,074,608	39,501,800
Additions	43,015,565	71,773,786
Transfers to property, plant and equipment	(41,605,880)	(42,841,736)
Transfers to lease prepayments	(3,794,336)	(11,497,000)
Transfers to intangible assets	(2,556,968)	–
Disposals	–	(41,862,242)
At 31 December	10,132,989	15,074,608

During 2007, the Company adjusted its development strategy and sold a research and development centre with net book value of RMB41,862,242 to a third party at cost.

14. LEASE PREPAYMENTS

	The Group	
	2008 RMB	2007 RMB
Cost		
At 1 January	43,625,999	32,128,999
Additions	16,087,754	–
Transfers from construction in progress	3,794,336	11,497,000
At 31 December	63,508,089	43,625,999
Accumulated amortisation		
At 1 January	(2,920,689)	(2,226,707)
Charge for the year	(1,280,335)	(693,982)
At 31 December	(4,201,024)	(2,920,689)
Net book value		
At 31 December	59,307,065	40,705,310

Lease prepayments represent payments for land use rights paid to the PRC authorities. The Group's land use rights have remaining terms ranging from 39 to 49 years as at 31 December 2008.

As at 31 December 2008, the Group was in the process of registering the titles of land use rights with net book values of RMB11,177,988 (2007: RMB11,497,000).

15. INTANGIBLE ASSETS

	The Group	
	2008 RMB	2007 RMB
Cost		
At 1 January	11,072,132	11,008,632
Additions	600,000	63,500
Transfers from construction in progress	2,556,968	–
At 31 December	14,229,100	11,072,132
Accumulated amortisation		
At 1 January	(4,312,881)	(3,207,368)
Charge for the year	(1,364,277)	(1,105,513)
At 31 December	(5,677,158)	(4,312,881)
Net book value		
At 31 December	8,551,942	6,759,251

Intangible assets mainly represent technical know-how used in the production of compressors and provision of integrated business solutions for gas equipment.

The amortisation charge for the year is included in “administrative expenses” in the consolidated income statement.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008 RMB	2007 RMB
Unlisted shares, at cost	119,825,371	119,825,371

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation and operation	Authorised/ registered/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Enric Investment Group Limited ("EIGL")	British Virgin Islands 1 May 2002	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Enric (Bengbu) Compressor Company Limited	PRC 14 March 2002	Registered and paid-in capital of HKD60,808,385	–	100%	Manufacture and sale of compressors and related accessories
Enric Anhui Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Shijiazhuang Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Shijiazhuang Enric Gas Equipment Company Limited	PRC 30 September 2003	Registered and paid-in capital of USD7,000,000	–	100%	Manufacture and sale of pressure vessels
Enric Langfang Investment Limited	British Virgin Islands 14 September 2004	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Integration (HK) Company Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of HKD50,000,000	–	100%	Provision of integrated business solutions for gas equipment
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Enric Jingmen")	PRC 16 July 2008	Registered capital of HKD50,000,000 and paid-in capital of HKD10,000,000	–	100%	Investment holding

17. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2008 RMB	2007 RMB
Raw materials	219,147,061	114,107,235
Goods in transit	32,591,677	6,304,594
Work in progress	152,879,585	78,402,587
Finished goods	114,606,463	78,091,233
	519,224,786	276,905,649

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008 RMB	2007 RMB
Carrying amount of inventories sold	907,730,951	686,513,120
Write-down of inventories	942,677	–
Reversal of write-down of inventories	(763,995)	(413,516)
	907,909,633	686,099,604

The reversal of write-down of inventories arose as a result of the subsequent usage of long-aged raw materials for which a write-down was made in prior years.

18. TRADE AND BILLS RECEIVABLE

	The Group	
	2008 RMB	2007 RMB
Trade debtors and bills receivable	283,693,260	199,484,176
Less: allowance for doubtful debts (note 18(b))	(9,964,720)	(5,367,914)
	273,728,540	194,116,262

18. TRADE AND BILLS RECEIVABLE *(Continued)*

(a) Ageing analysis

An ageing analysis of trade and bills receivable (net of impairment losses for bad and doubtful debts) is as follows:

	The Group	
	2008	2007
	RMB	RMB
Current	**122,315,582**	92,505,026
Less than 1 month past due	**39,079,826**	43,036,686
1 to 3 months past due	**43,046,037**	27,339,189
More than 3 months but less than 12 months past due	**52,058,941**	31,235,361
More than 12 months past due	**17,228,154**	–
Amounts past due	**151,412,958**	101,611,236
	273,728,540	194,116,262

Trade and bills receivable are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of three to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis. Further details on the Group's credit policy are set out in note 33(a).

(b) Impairment of trade and bills receivable

Impairment losses in respect of trade and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivable directly (see note 1(j)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2008	2007
	RMB	RMB
At 1 January	**5,367,914**	3,671,089
Impairment loss recognised	**4,596,806**	1,718,169
Written back	**–**	(21,344)
At 31 December	**9,964,720**	5,367,914

At 31 December 2008, the Group's trade and bills receivable of RMB16,603,110 (2007: RMB7,920,032) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB9,964,720 (2007: RMB5,367,914) were recognised. The Group does not hold any collateral over these balances.

18. TRADE AND BILLS RECEIVABLE *(Continued)*

(c) Trade and bills receivable that are not impaired

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008 RMB	2007 RMB
Neither pass due nor impaired	122,315,582	91,358,684
Less than 1 month past due	38,863,526	43,036,686
1 to 3 months past due	43,046,037	27,339,189
More than 3 months but less than 12 months past due	49,169,870	29,829,585
More than 12 months past due	13,695,135	–
	144,774,568	100,205,460
	267,090,150	191,564,144

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2008 RMB	2007 RMB
Advances to suppliers	49,768,376	29,938,206
Deposits for bidding, construction work and equipment purchase	4,182,811	3,108,286
Staff advances	1,386,395	2,312,456
Deductible input VAT	5,403,315	–
VAT refundable for export sales	6,439,321	–
Receivables for disposal of property, plant and equipment	2,400,000	–
Prepayments for services	4,034,987	–
Others	3,524,990	1,419,133
	77,140,195	36,778,081

20. CASH AT BANK AND IN HAND

	The Group		The Company	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Cash and cash equivalents				
– Cash in hand and demand deposits	171,527,076	236,734,243	69,248	16,799,004
– Restricted bank deposits for letters of credit and bills payable within three months of maturity	34,743,712	20,457,228	–	–
	206,270,788	257,191,471	69,248	16,799,004
Restricted bank deposits for letters of credit and bills payable with maturity of more than three months	37,134,272	16,684,000	–	–
	243,405,060	273,875,471	69,248	16,799,004

21. BANK LOANS

	The Group	
	2008 RMB	2007 RMB
Bank loans – guaranteed	166,803,157	140,899,217

The annual rate of interest charged on the bank loans ranged from 5.6% to 7.5% for year ended 31 December 2008 (2007: 5.6% to 7.3%).

22. TRADE AND BILLS PAYABLE

	The Group	
	2008 RMB	2007 RMB
Trade creditors	145,096,508	99,118,289
Bills payable	120,750,000	69,500,000
	265,846,508	168,618,289

An ageing analysis of trade and bills payable of the Group is as follows:

	The Group	
	2008 RMB	2007 RMB
Due within 3 months or on demand	253,846,508	151,118,289
Due after 3 months but within 6 months	12,000,000	17,500,000
	265,846,508	168,618,289

All of the trade and bills payable are expected to be settled within one year.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group	
	2008 RMB	2007 RMB
Advances from customers	92,928,406	40,871,121
Advances from local government for construction of production plant and facilities	40,000,000	–
Payables for acquisition of land use right	6,983,600	–
Payables for construction work	14,732,601	14,753,860
Other taxes payable	1,728,324	7,896,645
Accrued expenses	11,381,585	6,912,425
Employees' bonus and welfare	16,067,399	8,654,992
Other surcharges payable	2,653,029	2,697,663
Directors' remuneration	854,243	955,708
Others	2,628,469	3,001,358
	189,957,656	85,743,772

24. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company adopted the Pre-GEM Listing Share Option Plan which was approved by the then sole shareholder on 26 September 2005 whereby the Company invited certain then directors and employees of the Group to take up options at HKD1 consideration to subscribe for 13,800,000 ordinary shares of the Company. The exercise price of such share options was HKD1.50, which was determined based on the new issue price of the Company's shares on 18 October 2005.

The Pre-GEM Listing Share Option Plan was valid from 26 September 2005 to 17 October 2005, after which no further options were granted but its provisions will remain in force until 25 September 2015 so as to give effect to the exercise of any options granted.

All outstanding share options under the Pre-GEM Listing Share Option Plan were exercised during the year ended 31 December 2007. The weighted average share price at the date of exercise for the share options exercised was HKD7.12.

On 12 July 2006, the Company's shareholders passed a resolution to approve the adoption of another share option scheme (the "Main Board Share Option Scheme"). No options were granted under the Main Board Share Option Scheme during the year ended 31 December 2008 (2007: Nil).

25. PROVISION FOR PRODUCT WARRANTIES

	The Group	
	2008 RMB	2007 RMB
At 1 January	2,605,539	2,605,539
Provisions made during the year	9,794,880	6,704,427
Provisions utilised	(7,549,702)	(6,704,427)
At 31 December	4,850,717	2,605,539

Under the normal terms of the Group's sales agreements, the Group will rectify any product defects arising within one year of the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the one year prior to the balance sheet date.

26. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

Deferred tax arising from:	Impairment losses for trade and other receivables RMB	Write-down of inventories RMB	Provision for product warranties RMB	Depreciation allowances in excess of the related depreciation RMB	Amortisation of intangible assets RMB	Distributable profits of PRC subsidiaries RMB	Total RMB
At 1 January 2007	1,180,140	253,082	451,162	–	–	–	1,884,384
Credited/(charged) to profit or loss	564,303	65,433	(164,679)	235,922	(389,600)	–	311,379
At 31 December 2007	1,744,443	318,515	286,483	235,922	(389,600)	–	2,195,763
At 1 January 2008	1,744,443	318,515	286,483	235,922	(389,600)	–	2,195,763
Credited/(charged) to profit or loss	1,045,708	(100,604)	599,264	(4,660)	9,600	(3,385,241)	(1,835,933)
At 31 December 2008	**2,790,151**	**217,911**	**885,747**	**231,262**	**(380,000)**	**(3,385,241)**	**359,830**

	The Group 2008 RMB	2007 RMB
Net deferred tax asset recognised on the balance sheet	**3,745,071**	2,195,763
Net deferred tax liability recognised on the balance sheet	**(3,385,241)**	–
	359,830	2,195,763

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB7,418,624 (2007: RMB3,401,992) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses carry-forward period shall not exceed five years under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2008, temporary differences relating to undistributed profits of subsidiaries amounted to RMB135,409,643. Deferred tax liabilities of RMB10,155,723 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and its has been determined that it is probable that profits will not be distributed in the foreseeable future.

27. DEFERRED INCOME

	The Group	
	2008 RMB	2007 RMB
At 1 January	1,400,000	–
Received during the year	900,000	1,400,000
Recognised in profit or loss	(2,300,000)	–
At 31 December	–	1,400,000

Deferred income represents research and development funds obtained from the government through a public university in the PRC during the years ended 31 December 2007 and 2008, which are for the purposes of sponsoring the costs of research and development of hydrogen refuelling station equipment and technologies incurred by the Group. The funds obtained were recognised in the profit or loss in 2008, as the related expenses were charged in the same year and were deducted in reporting the related research and development expenses.

28. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company						
	Share capital RMB	Share premium RMB (iii)	Contributed surplus RMB (iv)	Capital reserve RMB (v)	General reserve fund RMB (vi)	Retained profits RMB	Total RMB
At 1 January 2007	4,630,080	260,619,986	15,709,935	5,593,799	21,484,479	197,486,161	505,524,440
Equity-settled share-based transactions (note 24)	–	–	–	1,349,822	–	–	1,349,822
Issuance of shares in connection with exercise of share options (ii)	138,690	26,896,733	–	(6,943,621)	–	–	20,091,802
Profit for the year	–	–	–	–	–	118,876,059	118,876,059
Transfer between reserves	–	–	–	–	16,155,691	(16,155,691)	–
At 31 December 2007	4,768,770	287,516,719	15,709,935	–	37,640,170	300,206,529	645,842,123
At 1 January 2008	4,768,770	287,516,719	15,709,935	–	37,640,170	300,206,529	645,842,123
Profit for the year	–	–	–	–	–	134,406,654	134,406,654
Transfer between reserves	–	–	–	–	15,045,516	(15,045,516)	–
At 31 December 2008	4,768,770	287,516,719	15,709,935	–	52,685,686	419,567,667	780,248,777

28. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share capital RMB	Share premium RMB (iii)	Contributed surplus RMB (iv)	Capital reserve RMB (v)	Accumulated losses RMB	Total RMB
	Attributable to equity shareholders of the Company					
At January 2007	4,630,080	260,619,986	119,825,362	5,593,799	(6,233,042)	384,436,185
Equity-settled share-based transactions (note 24)	–	–	–	1,349,822	–	1,349,822
Issuance of shares in connection with exercise of share options (ii)	138,690	26,896,733	–	(6,943,621)	–	20,091,802
Loss for the year	–	–	–	–	(1,276,384)	(1,276,384)
At 31 December 2007	4,768,770	287,516,719	119,825,362	–	(7,509,426)	404,601,425
At 1 January 2008	4,768,770	287,516,719	119,825,362	–	(7,509,426)	404,601,425
Loss for the year	–	–	–	–	(283,914)	(283,914)
At 31 December 2008	**4,768,770**	**287,516,719**	**119,825,362**	**–**	**(7,793,340)**	**404,317,511**

(c) Share capital

	2008		2007	
	Number of shares	RMB equivalent	Number of shares	RMB equivalent
Authorised:				
Ordinary shares of the Company of HKD0.01 each (i)	10,000,000,000		10,000,000,000	
Ordinary shares of the Company issued and fully paid:				
At 1 January	459,000,000	4,768,770	445,200,000	4,630,080
Shares issued under share option scheme (ii)	–	–	13,800,000	138,690
At 31 December	459,000,000	4,768,770	459,000,000	4,768,770

28. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(i) The Company was incorporated in the Cayman Islands under the Companies Law (Revised) as an exempted company with limited liability on 28 September 2004.

On 18 October 2005, the Company listed its shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 20 July 2006, the Company withdrew the listing of its shares on the GEM of the Stock Exchange and listed its entire issued share capital by way of introduction on the Main Board of the Stock Exchange.

(ii) During the year ended 31 December 2007, options under the Pre-GEM Listing Share Option Plan were exercised to subscribe for 13,800,000 ordinary shares in the Company at a consideration of HKD20,700,000 (equivalent to RMB20,091,802) of which HKD138,000 (equivalent to RMB138,690) was credited to share capital and HKD20,562,000 (equivalent to RMB19,953,112) was credited to the share premium account. In addition, RMB6,943,621 has been transferred from the capital reserve to the share premium account.

(iii) ***Share premium***

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(iv) ***Contributed surplus***

The contributed surplus of the Group represents the difference between (a) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and (b) the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005.

The contributed surplus of the Company represents the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005.

(v) ***Capital reserve***

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to optionees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

(vi) ***General reserve fund***

The Group's wholly owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital.

The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

28. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(vii) Distributability of reserves

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

At 31 December 2008, the Company had RMB399,548,741 available for distribution to equity shareholders of the Company (2007: RMB399,832,655).

(viii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group regards net debt as total debt (which includes interest-bearing loans and borrowings, trade and bills payable, other payables and accrued expenses and amounts due to related parties) less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

During 2008, the Group's strategy was to maintain the net debt to adjusted capital ratio within 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

28. CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(viii) ***Capital management*** *(Continued)*

The net debt to adjusted capital ratio is as follows:

	Note	The Group 2008 RMB	2007 RMB
Current liabilities			
Bank loans	21	166,803,157	140,899,217
Trade and bills payable	22	265,846,508	168,618,289
Other payables and accrued expenses	23	189,957,656	85,743,772
Amounts due to related parties	31(b)(II)	20,072,177	12,080,449
Total debt		642,679,498	407,341,727
Less: Cash and cash equivalents	20	(206,270,788)	(257,191,471)
Net debt		436,408,710	150,150,256
Total equity and adjusted capital		780,248,777	645,842,123
Net debt to adjusted capital ratio		56%	23%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. RETIREMENT BENEFITS

The subsidiaries in the PRC participate in government pension schemes whereby they are required to pay annual contributions at the rates of 20% of the basic salaries of their PRC employees. Under these schemes, retirement benefits of the existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the plan vest immediately.

The Group does not operate any other retirement benefits schemes for its employees.

30. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2008 not provided for in the financial statements are as follows:

	The Group		The Company	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Contracted for				
– Production facilities	20,187,428	4,791,718	–	–
– Equity investment	38,404,712	–	–	–
	58,592,140	4,791,718	–	–
Authorised but not contracted for				
– Production facilities	10,108,400	700,000	–	–
	68,700,540	5,491,718	–	–

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Within 1 year	1,565,145	224,429	–	–
After 1 year but within 5 years	2,237,451	12,000	–	–
	3,802,596	236,429	–	–

The Group leases a number of properties and office equipment under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

			The Group Year ended 31 December	
Name of party	Nature of transactions		2008 RMB	2007 RMB
China International Marine Containers (Group) Company Limited ("CIMC") and its subsidiaries (i)	Sales	(ii)	**21,742,406**	12,721,368
	Purchases	(iii)	**74,331,733**	14,842,983
Mr. Wang (i)	Sales	(ii)	**–**	138,199,812
	Purchases	(iii)	**–**	1,979,535
	Rental of property and office equipment and property management fee	(iv)	**–**	1,253,215
	Other services	(v)	**–**	350,000
	Connection fees	(vi)	**–**	27,164

(i) Mr. Wang and Ms. Zhao Baoju, the spouse of Mr. Wang, were the former ultimate controlling parties of the Company through their interests in Xinao Group International Investment Limited ("XGII").

On 30 July 2007, XGII and Charm Wise Limited, a wholly-owned subsidiary of CIMC, entered into a share transfer agreement pursuant to which Charm Wise Limited acquired from XGII a total of 190,703,000 shares in the Company, representing approximately 42.18% of the then entire issued share capital of the Company. Since then, XGII holds 43,441,000 shares in the Company, approximately 9.61% of the entire issued share capital of the Company on the same date. The directors consider that CIMC obtained control of the Company with effect from 15 October 2007, after which XGII ceases to be regarded as a related party of the Group for the purposes of these financial statements.

Accordingly, CIMC and its subsidiaries are regarded as related parties of the Group from 15 October 2007 for the purposes of these financial statements.

(ii) Sales to related parties mainly represent the sale of compressors, pressure vessels and integrated business solutions for gas equipment.

(iii) Purchases from related parties mainly represent purchases of natural gas and raw materials for production.

31. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

(iv) These relate to:

- the lease of property and office equipment by the Group from Xinao Group Solar Energy Company Limited, a related party controlled by Mr. Wang, for a term of 3 years from 30 September 2004 to 29 September 2007, at an annual rental of RMB520,000;

- property management services provided by Langfang Xinao Property Management Company Limited, a related party controlled by Mr. Wang, to the Group for a term of 3 years from 30 September 2004 to 29 September 2007, at an annual rate of RMB180,000;

- the lease of property and office equipment by the Group from Xinao Gas Investment Group Limited, a related party in which Mr. Wang and Ms. Zhao Baoju have substantive interests through XGII, for a term of 3 years from 1 February 2005 to 31 January 2008, at an annual rental of HKD455,544; and

- the lease of property and office equipment by the Group from Langfang Xinao Gas Equipment Company Limited, a related party in which Mr. Wang and Ms. Zhao Baoju have substantive interests through XGII, for a term of 2 years and 4 months from 1 November 2005 to 29 February 2008, at an annual rental of RMB466,209.

(v) This represents services provided to the Group by Xinao Beihai Gas Company Limited, a related party controlled by Mr. Wang, in relation to technical support.

(vi) During the year ended 31 December 2007, Shijiazhuang Xinao Gas Company Limited, a related party in which Mr. Wang and Ms. Zhao Baoju have substantive interests through XGII, provided gas connection services to the Group.

(vii) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and the highest paid employees as disclosed in note 8, is as follows:

	2008 RMB	2007 RMB
Short-term employee benefits	4,788,017	5,622,317
Equity compensation benefits	–	1,181,463
	4,788,017	6,803,780

Total remuneration is included in "staff costs" (see note 5(b)). The share options granted to key management personnel had been fully exercised during 2007 (see note 24).

31. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(I) Amounts due from related parties are as follows:

		The Group	
		2008 RMB	2007 RMB
Trade balances	(i)	2,052,942	300,000

(i) This represents receivables from sales of the Group's products to related parties.

(II) Amounts due to related parties are as follows:

		The Group	
		2008 RMB	2007 RMB
Trade balances	(i)	20,072,177	12,080,449

(i) This represents payables for purchases of raw materials and receipts in advance for sale of goods.

32. AMOUNTS DUE FROM A SUBSIDIARY

At 31 December 2008, these represent cash advances to EIGL. These amounts are unsecured, interest-free and repayable on demand.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bills receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bills receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than six months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 20% (2007: 19%) and 32% (2007: 31%) of the total trade and bills receivable are due from the Group's largest customer and the five largest customers respectively.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide financial guarantees to parties outside the Group which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivable are set out in note 18.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the parent company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group

	2008 Contractual undiscounted cash flow			2007 Contractual undiscounted cash flow		
	Within 1 year or on demand RMB	Total RMB	Balance sheet carrying amount RMB	Within 1 year or on demand RMB	Total RMB	Balance sheet carrying amount RMB
Bank loans	170,714,039	170,714,039	166,803,157	145,974,592	145,974,592	140,899,217
Bills payable, creditors and accrued expenses	322,875,758	322,875,758	322,875,758	213,490,940	213,490,940	213,490,940
Amounts due to related parties	20,072,177	20,072,177	20,072,177	12,080,449	12,080,449	12,080,449
	513,661,974	513,661,974	509,751,092	371,545,981	371,545,981	366,470,606

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group adopts a policy of ensuring that 100% of its borrowings are effectively on a fixed rate basis. Therefore, the Group's interest rate risk arises primarily from floating rate bank deposits. Floating rate bank deposits expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's floating rate bank deposits at the balance sheet date.

The Group

	2008		2007	
	Effective interest rate %	RMB	Effective interest rate %	RMB
Floating rate bank deposits	1.2%	243,376,531	1.3%	273,854,430

The Company

	2008		2007	
	Effective interest rate %	RMB	Effective interest rate %	RMB
Floating rate bank deposits	2.4%	69,248	2.9%	16,799,003

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 20 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB432,564 (2007: RMB498,122). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above in respect of the exposure to cash flow interest rate risk arising from floating rate bank deposits held by the group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2007.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States dollars and Euros. The Group manages this risk as follows:

(i) Forecast transactions

Depreciation or appreciation of the Renminbi against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

(ii) Recognised assets and liabilities

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's borrowings are denominated in Renminbi, United States dollars and Euros. The borrowings denominated in United States dollars and Euros were for financing of import of materials. The period of these borrowings are generally within 3 months. The Group considered the foreign currency risk arising from these short term borrowings is insignificant and no hedge was made against its foreign currency exposure.

(iii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the Renminbi.

The Group

	Exposure to foreign currencies (expressed in Renminbi)		
	2008		
	United States Dollars	Hong Kong Dollars	Euros
Trade and bills receivable	55,256,764	–	–
Deposits, other receivables and prepayments	201,621	149,736	–
Cash and cash equivalents	4,398,229	15,711,506	769,677
Bank loans	(9,203,623)	–	(47,599,533)
Trade and bills payable	(192,818)	–	(4,298,197)
Other payables and accrued expenses	(5,568,142)	(2,024,145)	–
Overall net exposure	44,892,031	13,837,097	(51,128,053)

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iii) ***Exposure to currency risk*** (Continued)

The Group

	Exposure to foreign currencies (expressed in Renminbi) 2007				
	United States Dollars	Hong Kong Dollars	Australian Dollars	New Zealand Dollars	Euros
Trade and bills receivable	9,627,521	–	–	–	–
Deposits, other receivables and prepayments	6,693,132	–	–	–	–
Cash and cash equivalents	2,042,352	10,378,654	13,439,530	14,109,692	13,289,987
Bank loans	(5,899,217)	–	–	–	–
Trade and bills payable	(5,773,921)	–	–	–	–
Other payables and accrued expenses	(1,774,674)	(1,385,879)	–	–	–
Overall net exposure	4,915,193	8,992,775	13,439,530	14,109,692	13,289,987

The Company

	Exposure to foreign currencies (expressed in Renminbi)			
	2008		2007	
	Hong Kong Dollars	**Australian Dollars**	Hong Kong Dollars	Australian Dollars
Cash and cash equivalents	**69,248**	**–**	9,133,370	7,665,633
Overall net exposure	**69,248**	**–**	9,133,370	7,665,633

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
United States Dollars	6%	2,516,606	6%	321,464
	(6%)	(2,516,606)	(6%)	(321,464)
Hong Kong Dollars	6%	675,291	7%	611,333
	(6%)	(675,291)	(7%)	(611,333)
Australian Dollars	N/A	–	4%	531,699
	N/A	–	(4%)	(531,699)
New Zealand Dollars	N/A	–	3%	406,586
	N/A	–	(3%)	(406,586)
Euros	9%	(4,227,139)	4%	518,318
	(9%)	4,227,139	(4%)	(518,318)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2007.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair value

The carrying amounts of the significant financial assets and liabilities are not materially different from their fair values as at 31 December 2008.

(i) Cash and cash equivalents, trade and bills receivable, other receivables, trade and bills payable, other payables and amounts due from/to related parties

The carrying values are not materially different from their fair values because of the short maturities of these items.

(ii) Bank loans

The carrying amounts of bank loans are not materially different from their fair values based on the borrowing rates currently available for bank loans with similar terms and maturities.

34. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the PRC, no geographical segment information is presented.

The business segment of the Group comprises:

(i) the design, manufacture and sale of compressors;

(ii) the design, manufacture and sale of pressure vessels; and

(iii) the provision of integrated business solutions, from the design and manufacture of gas equipment system to on-site installation.

34. SEGMENT REPORTING *(Continued)*

	Year ended 31 December 2008					Year ended 31 December 2007				
	Compressors RMB	Pressure vessels RMB	Integrated business solutions RMB	Inter-segment elimination RMB	Consolidated RMB	Compressors RMB	Pressure vessels RMB	Integrated business solutions RMB	Inter-segment elimination RMB	Consolidated RMB
Segment revenue	179,020,558	773,050,332	292,524,511	(7,315,138)	1,237,280,263	163,152,413	539,525,330	242,262,886	(3,949,373)	940,991,256
Segment result	16,100,142	102,705,198	74,113,631	(1,278,629)	191,640,342	25,584,934	74,785,766	50,997,948	(518,665)	150,849,983
Unallocated operating income and expenses					(24,312,307)					(14,962,358)
Profit from operations					167,328,035					135,887,625
Finance costs					(9,749,534)					(11,716,448)
Taxation					(23,171,847)					(5,295,118)
Profit for the year					134,406,654					118,876,059
Depreciation and amortisation for the year	5,338,119	15,269,455	4,616,599		25,224,173	4,219,032	12,463,472	2,421,725		19,104,229
Segment assets	218,421,469	727,535,269	280,379,630	(52,387,108)	1,173,949,260	228,894,225	456,590,059	229,820,724	(21,446,949)	893,858,059
Unallocated assets					266,545,724					167,057,465
Total assets					1,440,494,984					1,060,915,524
Segment liabilities	100,663,929	265,257,595	107,363,491	(51,108,479)	422,176,536	106,456,167	118,445,314	101,275,310	(20,928,284)	305,248,507
Unallocated liabilities					238,069,671					109,824,894
Total liabilities					660,246,207					415,073,401
Capital expenditure incurred during the year	5,141,087	38,139,758	7,820,870		51,101,715	7,420,498	29,618,780	44,266,537		81,305,815

35. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2008, the Directors consider the parent of the Company to be Charm Wise Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

At 31 December 2008, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC.

36. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 24 and 33 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments respectively.

(b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, intangible assets and lease prepayments (see note 1(j)(ii)), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cashflows need to be determined. One of the key assumptions that has to be applied is the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 8, *Operating Segments*	1 January 2009
Revised HKAS 23, *Borrowing Costs*	1 January 2009
Revised HKAS 1, *Presentation of Financial Statements*	1 January 2009
Amendments to HKFRS 2, *Share-Based Payment – Vesting Conditions and Cancellations*	1 January 2009
Revised HKAS 27, *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to HKAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
HK(IFRIC) 17, *Distributions of Non-Cash Assets to Owners*	1 July 2009
Revised HKFRS 3, *Business Combination*	Applied to business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
HK(IFRIC) 18, *Transfers of Assets from Customers*	Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

Corporate Information

DIRECTORS

Executive Directors

Zhao Qingsheng *(Chairman)*
Jin Yongsheng *(Chief Executive Officer)*
Wu Fapei
Jin Jianlong
Yu Yuqun
Shi Caixing
Qin Gang

Non-executive Director

Yang Yu

Independent Non-executive Directors

Wong Chun Ho
Gao Zhengping
Shou Binan

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Cheong Siu Fai *CPA*

AUDIT COMMITTEE

Wong Chun Ho *CFA, CPA*
Gao Zhengping
Shou Binan

REMUNERATION COMMITTEE

Jin Jianlong
Gao Zhengping
Shou Binan

NOMINATION COMMITTEE

Jin Yongsheng
Wong Chun Ho
Gao Zhengping

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Jin Yongsheng
Cheong Siu Fai

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