China Automation Group Limited
中國自動化集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)

Annual Report 2009

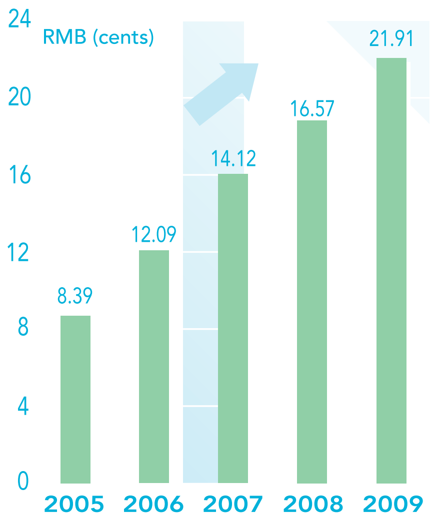
CONTENTS

COMPANY PROFILE

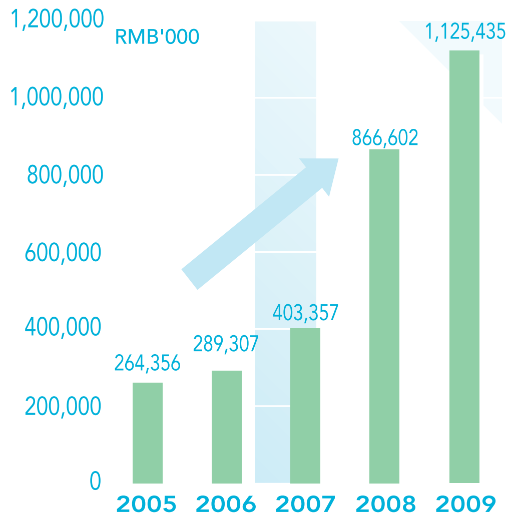
China Automation Group Limited (the "company") was established in 1999, listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2007, and is the largest and leading safety and critical control system provider in the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively referred to as the "Group") specialize in providing professional safety and critical control systems, together with related engineering and maintenance services to the chemical, petrochemical, coal chemical, oil and gas as well as railway industries. The Group is one of the largest providers of safety and critical control systems for the railway signaling industry in the PRC. The Group holds a leading position in both industies. The main products designed and produced by the Group include Emergency Shutdown Devices ("ESD"), Fire and Gas Systems ("FGS"), Integrated Turbine and Compressor Centers ("ITCC"), Railway Interlocking Systems ("RIS") as well as Contralised Traffic Control System ("CTC"). In 2010, the Group will also produce automatic control valves for the petrochemical industry and traction converters for the railway industry. Leveraging its strong engineering capabilities and extensive distribution network, the Group endeavors to become one of the key system providers in the world.

	2009 RMB'000	2008 RMB'000	Growth (%)
Turnover	**1,125,435**	866,602	29.9
Profit attributable to equity holders of the company	**212,088**	149,177	42.2
Earnings per share			
- basic	**RMB21.91 cents**	RMB16.57 cents	32.2
- diluted	**21.66**	16.57	30.7
Dividend per share	**5.0 HK cents**	4.0 HK cents	25.0

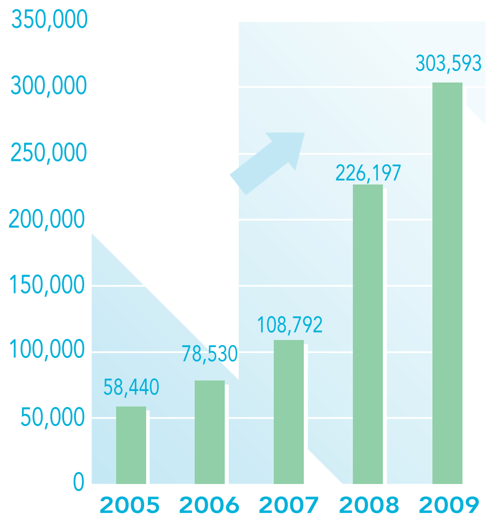
Earnings Per Share - Basic



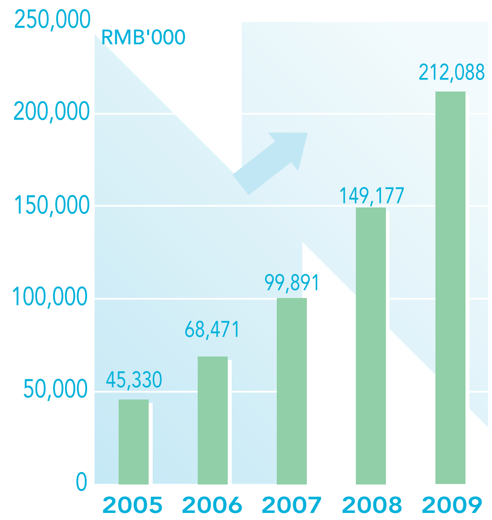
Turnover



EBITDA*



Profit Attributable to Equity Holders of the Company



* EBITDA figures shown are before duduction of share-based payment expenses.

CHAIRMAN'S STATEMENT

In line with the economic stimulus package and the revitalization for ten key industries implemented by the PRC government, the Group will further enhance its existing railway control and signaling products while accelerating the pace of its product research and development. The Group will also further develop the application of its petrochemical products and invest in the development and application of self-developed software and hardware. The Group is dedicated to expanding its double-engine businesses so as to capture substantial development opportunities as well as consolidating and enhancing the leading position of the Group in both railway and petrochemical sectors.

XUAN Rui Guo
Chairman

On behalf of the board of directors (the "Board") of the Company, I am pleased to report the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

The global economy experienced ups and downs in 2009. Until the second half of the year, the Chinese economy has taken the lead to rebound and maintained its growth momentum. The Gross Domestic Products ("GDP") for the year increased by 8.7% as compared with that of last year, in which the GDP for the fourth quarter increased by 10.7% as compared with that of the corresponding period last year. The Chinese Government has launched a series of policies to boost domestic demand and maintain growth, which include an economic stimulus package of RMB4 trillion with a focus on expanding railway systems and infrastructure projects. Thanks to these policies, the Group's railway signaling business achieved remarkable growth.

Backed by the "Eleventh Five Year" plan and petrochemical industry revitalization plan promulgated by the State, the petrochemical business of the Group grew steadily in spite of the economic downturn.

As the largest safety and critical control system providers for the petrochemical industry and one of the largest railway signaling system providers in the PRC, the Group is dedicated to providing high-tech products and services with excellent quality and contributes to develop a secure and harmonious society for our nation. By leveraging its strong fundamentals and the government policies, the Group's two major business operation achieved outstanding performance, which further strengthened the Group's capability to resist risks in spite of the challenging condition of the global economy. During the year under review, the Group's turnover amounted to approximately RMB1,125.4 million (2008: RMB866.6 million), representing a growth of 29.9% as compared with that of last year. Profit attributable to shareholders increased by approximately 42.2% as compared with that of last year to approximately RMB212.1 million (2008: RMB149.2 million). Earnings per share were RMB21.91 cents (2008: RMB16.57 cents). The Board proposed to declare a final dividend of HK$5.0 cents per share in respect of the year (2008: HK$4.0 cents).

The Railway Signaling Industry will Benefit from the State Policies

In recent years, the central government has devoted to further developing the railway network throughout the country. According to the annual development plan of the Ministry of Railways for 2009, the total investment for railway infrastructure was approximately RMB600 billion, and the operational mileage reached 86,000 miles which ranked second in the world.

With the accelerating urbanization process, the demand for construction of city rail transportation systems is also increasing. Such development speed brought extensive opportunities for the Group. As at the end of 2009, 5,461 km of new railways and 4,063 km of supplementary railways were completed in China. 5,557 km of new railway lines commenced operation in the year, of which 2,319 km were passenger lines. The total investment of 28 cities including Beijing, Shanghai and Guangzhou in the year was RMB100 billion. It is evident that there is enormous market potential of the railway and rail transportation safety system.

The government has been dedicated to developing inter-city railway network, including the high speed railway network in recent years. The development aims at expanding the urban area by shortening the travelling time among neighbouring cities to an hour. The Group will be benefitted from the rapid growth in railway investment. With its technological advantages and leading market position, the Group will proactively expand its railway signaling system business in the Pearl River Delta market by securing more contracts for inter-city railway safety system. The Group aims to enlarge its market shares and become the largest railway signaling system provider in China.

The Group has grasped opportunities to acquire Beijing Jiaoda Microunion Technology Co., Ltd ("BJM"), a company engaged in railway signaling business, in 2007. The Group has formulated a clear development strategy to capture the substantial development potential in the railway business. The Group has constructed new production facilities to accommodate the new business of the design and technology development of subway, central transportation control and interlocking systems. The proportion of railway business to the total turnover further increased from 43.9% in 2008 to approximately 48.8% in 2009.

Securing Contracts of Railway Signaling System and Services from China

Backed by its strong technological capability, the Group was approved as a general contractor of railway signaling system projects during the year under review. Its subsidiary, BJM, won the tender for the railway signaling system project of Beijing Subway Line Number 15 worth RMB300 million as the general contractor. This has built a strong foundation for the growth of the Group's city railway business.

Enlarging Railway Product Lines by Forming a Joint Venture with ABB (China) Limited ("ABB China")

In addition, the Group further enriched its product mix by introducing systems for rail vehicles. The Group has established a joint venture company with ABB China namely ABB Microunion Traction Equipment Limited ("ABB Microunion"). ABB China is a world leading manufacturer of energy and automated system. ABB Microunion will be engaged in the production, development and sales of tractor converters and provide excellent technical as well as after-sales service. The Group believes that the formation of ABB Microunion would provide an excellent opportunity for the Group to further enlarge its railway signaling product lines and achieve an all-round development for its railway business.

Expand Automated Instrument Business to Consolidate its Leading Position in the Petrochemical Industry

With its strong organic growth, the Group has maintained its leading position and market share in the petrochemical industry during the year under review. The Group successfully secured orders of safety and critical control system from customers, including China Petrochemical Corporation and China National Petroleum Corporation.

The Group actively explores new business to create new force of growth while consolidating its existing business. During the year, the Group entered into a cooperation framework agreement with NingXia YinXing Energy Company Limited ("NingXia YinXing Energy"), the largest automated instrument manufacturer in China, to establish a joint venture for the development of automated instrument business. The establishment of the joint venture will bring synergy to the Group and its existing business in various aspects such as marketing, sales, research and development as well as human resources. It also helps enhance the capability and competitiveness of the automated systems and the leading position of the Group in the safety and critical control system market for petrochemical industry.

Strategy and Prospects

In line with the economic stimulus package and the revitalization plan for ten key industries launched by the government, the Group will adopt various measures to capture substantial development opportunities, consolidate and enhance the leading position of the Group in both the railway and petrochemical sectors.

For the railway business, the Group will further improve the existing railway control and signaling products, expedite its product research and development, expand urban railway transportation signaling business. The Group will also develop industrial and mining railway markets in addition to the passenger and cargo railway market. The Group will also look for enterprises which can supplement the Group's existing railway signaling business as targets of mergers and acquisitions. Besides, the Group will actively develop products, technologies and markets related to the rail vehicle and control, and diversify the product lines through joint venture, investment, mergers and acquisitions.

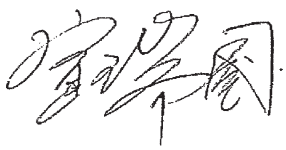
For petrochemical business, the Group will further develop the application of its product, and invest in the development and application of self-developed software and hardware. It will also expedite the development of oil and gas pipeline business, and explore the overseas markets to enlarge the geographical coverage of its engineering services. In addition, the Group will continue to identify enterprises which will create synergy with the Group's existing petrochemical safety and control system business as targets for mergers and acquisitions subject to market conditions. The Group aims to become a leading provider of integrated critical and automated system solutions for the petrochemical industry.

Looking forward, the Group will continue to benefit from the policies introduced by the PRC government. The Group will secure more railway signaling system and service business across the nation as a general contractor. Such moves help the Group consolidate and increase its market share in the railway industry as well as to facilitate a balanced and significant growth of the two major businesses of the Group.

Against the backdrop of the Group's leading position in its existing safety and critical control system of the PRC petrochemical industry, the Group strengthened its capacities by recruiting experienced professional talents from the United States, Japan and Singapore to develop its international business with professional management and effective strategies.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to express my appreciation to our customers, business partners and shareholders for their continued support for the Group. I also wish to thank every member of our staff for their contribution to the Group during the year. Capitalizing on our unique competitive edge, clear development strategies and experienced professional management, the Group will continue to maximize returns for our shareholders and create remarkable results.



Xuan Rui Guo
Chairman
Hong Kong

22 March 2010

INDUSTRY REVIEW AND OUTLOOK

INDUSTRY REVIEW

The safety and critical control solutions provided by the Group are mainly used in the railway signaling and petrochemical industries.

Owing to the financial crisis, the growth of petrochemical industry in China was slowed down in 2009. However, the operating income, gross profit and net profit of the petrochemical business of the Group maintained their growth momentum due to its quality products, strong technology and excellent engineering services. It was also a result of the research and development efforts, overseas market development strategy and expansion of services of the Group. In respect of the railway business, the Group further invested in the research and development of railway signaling solutions and explored new markets. Thanks to the national policy on economic stimulation by boosting the domestic demand, the Group achieved significant growth in its railway segment.

RAILWAY INDUSTRY

In 2009, the central government focused on accelerating the construction and development of railways, as well as implementing policies to stimulate national demand and maintain economic growth, which expedited the development of harmonious railway network and started a new chapter of the modernised railway system in China. The operation of Wuhan-Guangzhou High Speed Railway, which covers the longest mileage in the world with the speed of up to 350 kilometres per hour, marked another milestone in the history of high speed railway in China.

According to the annual meeting of the railway industry of China in January 2010, 5,461 kilometres of new railway lines and 4,063 kilometres of additional to existing railway lines of China rail lines were completed in 2009. 5,557 kilometres of new railway lines, including 2,319 kilometres of passenger railway lines, and 4,129 kilometres of additional railway lines came into operation. Electrification of 8,448 kilometre of railway lines was also completed. The total passenger and cargo throughput of railway in China in 2009 were 1.521 billion passenger trips and 3.317 billion tonnes, representing a 4.4% and 0.8% growth as compared with that of the corresponding period last year, respectively. A total of RMB600 billion was invested in railway infrastructure in 2009, which was more than the aggregate investment in railway construction of the Ninth Five-Year Plan and the Tenth Five-Year Plan. As at the end of 2009, the operational length of railway in China increased to 86,000 kilometres, which became the second longest in the world.

A total of RMB100 billion was invested in the development of urban rail transportation across 28 cities, including Beijing, Shanghai and Guangzhou, throughout 2009.

The Group grasped opportunities in 2009 to further strengthen its leading position in the state-owned railway and local railway signaling markets. In respect of urban rail transportation, the Group significantly improved the quality of its railway business and became the general contractor of rail transport signaling system. In addition to the core signaling system business, the Group strategically developed the international railway market by establishing a joint-venture company with ABB (China), one Fortune 500 Company, to expand its business into the gearing and control systems of trains, which was closely related to the signaling business and with promising prospects.

PETROCHEMICAL INDUSTRY

Owing to the financial crisis, the growth of the petrochemical industry in China was slowed down in 2009.

According to China Petroleum and Chemical Industry Association, the total output value of the 34,600 large-scale enterprises in the petrochemical industry in China in 2009 amounted to RMB6,630 billion, representing a growth of 0.3% as compared with that of 2008. The total output value of chemical industry for the year was RMB3,930 billion, representing a growth of 9.7% as compared with that of the corresponding period last year. The total output value of petroleum and natural gas exploitation industry was RMB749.03 billion, representing a decrease of 26.6% as compared with that of the corresponding period last year. The total output value of the oil refinery industry was RMB1,780 billion, representing a decrease of 4.2% as compared with that of the corresponding period last year. In 2009, investment in fixed assets of the petrochemical industry in China amounted to RMB1,010 billion, representing an increase of 12.9% as compared with that of 2008.

The operating income, gross profit and net profit of the petrochemical business of the Group maintained their growth momentum due to its quality products, strong technology, market position and excellent engineering services. It was also a result of the research and development efforts, overseas market development strategy and expansion of services of the Group. The middle and downstream petrochemical business of the Group improved at a steady pace and the upstream petrochemical business also recorded steady growth in its revenue. In order to introduce new products, acquire new technology and optimize its product mix, the Group set up a joint-venture company with Ningxia Yinxing Energy and expanded into the industrial automation instrument business, which creates synergy with the Group's existing safety and critical control systems business.

INDUSTRY OUTLOOK

RAILWAY INDUSTRY

In 2008, the total investment in railway infrastructure was RMB337.5 billion, representing an increase of 88.6% when compared with 2007. A total of RMB600 billion was invested in railway infrastructure in 2009, which was more than the aggregate investment in railway construction of the Ninth Five-Year Plan and the Tenth Five-Year Plan. The railway sector of China will maintain its strong growth momentum and many construction projects will commence in 2010.

The railway signaling system and gearing and control systems of train closely related to the signaling system of the Group are expected to capitalize on the unprecedented railway development opportunities in China.

According to the Ministry of Railways, fixed asset investment of RMB823.5 billion will be injected to the railway development in 2010. By the end of 2012, the operational length of the "four-longitude and four-latitude" high speed rail will reach 13,000 kilometres and over 800 new terminal stations will be built, hitting a new record high in terms of investments. In 2010, investment for infrastructure construction will be RMB700 billion, representing an increase of 16.7% as compared to 2009.There will be 3,690 kilometres of planned new railway lines, 3,150 kilometres of additional rails to existing railway lines, 4,613 kilometres of new railway lines, 3,438 kilometres of additional rails to existing railway lines and electrification of 6,401 kilometres of railway.

According to the statistics based on the approved high speed rail projects, as a large number of high speed railway constructions commenced in 2009, most of the 200 to 250-kilometre-high-speed rails will be completed by 2012 and 2014, while most of 300 to 350-kilometre-high-speed-rails will be completed by 2013 and 2014. Pursuant to the construction plan of high speed rail, the length of 300 to 350-kilometre-railway-lines and 200 to 250-kilometre-railway-lines in China will reach 15,500 kilometres and 12,600 kilometres by the end of 2014, which are 8.9 times and 4.3 times of the length as at the end of 2009, respectively. The delivery of train sets will grow along with the increase in completed mileage of railways, which will directly create market opportunities for the Group's train gearing and control systems newly launched in 2009.

For the development of urban railway transportation, as at the end of 2009, construction plans of railway transportation in 25 cities were approved by the State Council. By 2016, 89 railway lines with a total mileage of 2,500 kilometres will be constructed with a total investment of RMB988.6 billion. China has become the largest construction market of urban railway transportation in the world.

According to the Medium-to-long-term Rail Network Development Plan and rail development plan set out in the "Eleventh Five Year Plan", inter city railways will be developed in major cities at the Bohai Rim, Yangtze River Delta and Pearl River Delta and the number of railway lines will be increased to more than 6. The major intercity railways to be constructed are Beijing-Tianjin (Beijing-Tianjin Inter City Rail, which has begun operation in 2008), Shanghai-Nanjing, Nanjing-Hangzhou, Nanjing-Wuhu-Anqing, Guangzhou-Zhuhai, Jiujiang-Nanchang, Qingdao-Yantai-Weihai, Mianyang-Chengdu-Emei, Changchun-Jilin and Liuzhou-Nanning lines.

By 2020, together with the existing accelerated railway lines, a high speed passenger railway network with a total length of over 50,000 kilometres covering all provincial capitals and major cities with a population of more than 1 million, except Lhasa, in China will be developed. Railway stations in provincial capitals and other large cities will be well connected with the urban railway and public road transport for the convenience of travellers.

Railway transportation is an environmental transportation with the lowest carbon emission, which well match with the global trend of energy saving and emission reduction. With the increasing global concern on low carbon emission and environmental protection, the advantage of railways is obvious. Leveraging the sophisticated railway technology and low cost advantage, development of high speed railway in China will reach its peak.

PETROCHEMICAL INDUSTRY

The petrochemical industry of China was seriously affected by the financial crisis in 2009. However, the industry saw a rebound towards the end of 2009.

2010 is a year with hopes and opportunities for the petrochemical industry. The economic stimulus package of China will boost the growth of petrochemical industry and the Reform and Revitalisation Plan for the Petrochemical Industry launched by China in 2009 further expedites the development of the industry. In 2010, the developments of oil depots, channels and oil refinery machines of China will continue at a rapid pace. According to the Revitalisation Plan for the Petrochemical Industry, the reserve of petroleum products will be 6 million tonnes by 2010 and will further increase to 10 million tonnes by 2011, which will stimulate the equipment procurement in the gas pipeline and oil refinery industries in which the Group operates. Moreover, the economic growth in China and the per capita GDP of more than USD3,000 have fuelled the growth momentum of consumption. As such, urbanisation of China will be accelerated and will facilitate the growth of the petrochemical industry.

In accordance with the central government's economic objectives to "maintain growth, adjust structure, stimulate domestic demand and benefit the people" in 2010, the petrochemical industry will undergo transformation and restructuring from 2010 onwards to streamline the industry structure, promote technology innovation and energy saving and emission reduction, and strengthen its competitiveness in the international market.

According to the revitalisation plan for petrochemical industry, by 2011, the total volume of processed crude oil in the PRC will amount to 40,500 tonnes, while the total output of refined oil and ethylene will reach 247.5 million tonnes and 15.5 million tonnes respectively. By 2010, total volume of processed crude oil, total output of crude oil and the demand for refined oil will be 396 million tonnes, 193 million tonnes and 234 million tonnes, representing a period-on-period increase of 5.6 %, 2.0 % and approximately 6%, respectively.

According to the Guiding Opinions on the Restructuring of the Petrochemical Industry (石油和化工行業結構調整指導意見) (the "Guiding Opinions") issued in October 2009, the exploration and development for oil and gas, petroleum refinery, petrochemical and new coal chemical industries, all of which are closely related to the petrochemical businesses of the Group, are recognised as the four key industries providing technological support for the revitalisation of petro-chemical industry.

According to the Guiding Opinions:

- For oil refinery industry, industrial clustering in Yangtze River Delta, Zhujiang Delta and Bohai Rim region will be further enhanced by 2015 by building various integrated petro-refinery production plants with an annual production capacity of 20 million tonnes and the average capacity of oil refinery enterprises will be over 5 million tonnes. By 2015, the processing capability for crude oil will be increased to approximately 550 million tonnes and the production volume for refined oil will reach approximately 300 million tonnes.

- Ethylene industry will be developed under the principles of "localisation, maximisation, centralisation and industrialisation". By 2015, the production capacity of ethylene will increase from 21 million tonnes to 23 million tonnes with a self-consumption rate of 60%-65%.

- For oil and gas pipeline industry, existing commercial crude oil reserve bases will be expanded and new bases will be built to strengthen national oil strategic reserve capability and more refined oil reserve bases will be established in Yangtze River Delta, Zhujiang Delta, Bohai Rim and Chengyu regions. Liquefied natural gas receiving stations will be developed in coastal regions to enhance gas supply and oil and gas pipeline network and ancillary facilities will be further improved to optimise the pipeline network development in the PRC. The second west-east gas transmission pipeline and land-way imported oil and gas pipeline from Burma, Russia and Harbin to China will be developed and the constructions of major gas transmission lines including the Sichuan-to-Eastern China Gas Project and coastal natural gas pipeline network will be speeded up. The national transmission pipeline network connected with oil fields and major crude oil jetties covering all parts in China will provide flexible supply of domestic and imported crude oil and refined oil for all major oil refinery and petrochemical enterprises.

- For coal chemical industry, new production plants for coal chemical with appropriate and scientific planning will be developed in order to prevent overdevelopment of the coal chemical industry.

INNOVATIVE TECHNOLOGY

Our professional and dedicated R&D team and experienced engineers provide state-of-the-art, innovative and integrated solutions for our clients. Our high-technology products are widely recognized by the industry and clients.

Energy saving, reduction of emission and development of new energy and renewable energy have become the new focuses around the world. The petrochemical industry plays an indispensably role in the development of low carbon economy. According to the statistics, approximately 45 million tonnes of carbon dioxide are recycled and reused by the petrochemical industry in China every year, representing 20% of the world's recycled and reused carbon dioxide. Although advanced technology and facilities have been adopted in some segments of the petrochemical industry of China, the technology standards are low in general. Only one-third of the companies in the petrochemical industry in China have installed facilities of international advanced standards. To save energy, reduce emission and improve efficiency, advanced facilities will be installed with new technology applied. The Group will benefit from the provision of safety and critical control systems.

OPERATION AND BUSINESS REVIEW

The Group successfully weathered the financial crisis and focused on its long-term development of its major businesses, the railway signaling business and the petrochemical business. Leveraging the Group's market leading position and exquisite core techniques while actively exploring new markets, the Group achieved remarkable results solely attributable to its organic growth. Meanwhile, riding on the Group's two core businesses, the Group will actively look into technology, products as well as companies which are closely related to the Group's core businesses and expand the Group's operation scale through cooperation and mergers and acquisitions, so as to establish a strong fundamental for the Group's development in 2010 and years ahead.

During the year under review, the Group has made the following operational achievements:

Railway Signaling Industry

(i) Research and Development

The research project on Equipments for Train Control Center System taken by BJM was awarded the First Prize of Science and Technology 2008 of the Ministry of Railways ("MOR") in two successive years.

BJM was officially awarded the administrative license of the MOR for its Software and System Integration for Station Train Control Centers. The successful application of system of ordinary speed railways will lay a solid foundation for the research and development for Passenger Dedicated Line train control center.

The Group highly regards research and development and and focus on learning and mastering foreign advanced core technology. BJM will rely on its own technological edge to grasp the core technology of automatic train protection ("ATP")/automatic train operation ("ATO") through project cooperation and consequently realize the independent research and development, so as to build fully localized urban railway signaling systems.

(ii) Relocation to new plant

In order to meet the need of business development, the major operating subsidiaries of railway relocated from Beijing Jiaotong University Shengtong Building, Haidian District, Beijing in November 2009. The new plant accommodated the new business including Metro and CTC as well as the interlocking system design and technology. The management of the Group expects that the enlarged production capacity will be sufficient for business expansion for at least the forthcoming two years.

(iii) Marketing

As at 31 December 2009, the Group delivered approximately 217 systems and revamped 90 aged systems, bringing the cumulative number of systems delivered to approximately 1,000. In 2009, the Group maintained its market share in national, passenger line and high-speed rail line business.

With two years of dedication, the Group completed Zhengzhou-Xian（鄭州－西安）high-speed passenger line, symbolising the Group's signaling products had successfully been used in the 350 km high-speed line.

Leveraging the technological edge in the railway signaling business, the Group has been actively expanding the urban rail transport communication signaling business. The winning of the tender of Beijing Subway Line Number 15 marked the Group's transformation from a subcontractor in the urban railway signaling system to a general contractor.

The scope of engineering and maintenance service has been broadened. More and more free life maintenance service have been changed to two to three years free maintenance, which will highly improve the Group's revenue contributed from the railway sector in the years ahead.

(iv) *Formation of a joint venture with ABB (China)*

The Group entered into the agreement with ABB (China) for the establishment of a joint venture company namely ABB Microunion in the PRC. The joint venture company will be involved in the research and development, design, manufacture, sales, import/export of traction converters, auxiliary converters and their spare parts as well as the provision of technical and after-sales services in the PRC. The establishment of ABB Microunion will allow the Group to further enhance its technical and technological capability.

Petrochemical Industry

(i) *Research and Development*

The Group had completed several research projects which are related to TMC (turbo-machinery control) product series of safety and critical control systems for small and medium size petrochemical plants as well as other research projects such as continuous reforming lock hopper control system software, liquefied natural gas device expansion turbine control system software, and ethylene device ethylene cooling compressor control system software. As at 31 December 2009, the Group's nationwide software copyrights increased to 16.

(ii) *Marketing*

The Group continuously awarded large scale projects from famous petrochemical companies, such as Sinopec, PetroChina, CNOOC and Petrobras, etc. The revenue generated from the provision of engineering and services also increased significantly in 2009.

The Group's outstanding performance in safety and critical control systems resulted in wide recognition by the industry. The Group obtained supplier qualification approval from General Electric, Man Turbo, Hitachi, Mitsubishi, Elliott (U.S.), Elliott-Ebara (Japan), Siemens, Air Liquide, Air Product, Dresser Rand. With the in-depth cooperation with OEMs, the Group expands its scope of service from traditional industries of oil refinery and fertilizer to the automation control systems for coal chemical, oil and gas, metallurgy and etc.

As at 31 December 2009, the Group delivered approximately 200 systems, bringing the cumulative number of systems delivered to approximately 1,600.

(iii) *Formation of a joint venture with NingXia YinXing Energy*

The Group has been dedicated to optimizing its product mix, enhancing the business portfolio through independent research and development and cooperation. During the year, the Group and NingXia YinXing Energy signed an agreement to form a joint venture to develop the industrial automation instrument business, optimize product mix and consolidate the Group's leading position in the petrochemical industry. Ningxia YinXing Energy is engaged in the provision of automatic control valves business which acts as actuator for the closed loop safety and critical control systems. The business possesses excellent synergy with the existing safety and critical control system business of the Group. The formation of the joint venture was completed in early 2010 and the Group holds 25% of its equity interests through a capital injection of RMB80 million. It is planned that the Group will acquire further equity interests so as to consolidate its accounts by the end of 2010.

Human Resources

As at 31 December 2009, the Group had 836 employees (2008: 641).

The significant increase was mainly attributable to (i) building up additional operation engineers and sales engineers resources for the railway business to capture the emerging business opportunities arising from the private local, national and metro railway as well as the inter-city rail markets; and (ii) additional engineers for the development of process control system business and emerging downstream petrochemical business opportunities. The emoluments payable to the employees of the Group are determined by their responsibilities, qualifications, performance, experience and the related industrial practice.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2009, revenue of the Group increased by 29.9% to RMB1,125.4 million (2008: RMB866.6 million), compared with the previous year.

The Group has adopted IFRS 8 Operating Segments with effective from 1 January 2009. Information reported to the Group's Chief Executive Officer and Operating Management Committee which is considered as the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment focuses more specifically on the category of customer. The principal categories of customers are petrochemical and railway.

Revenue generated from petrochemical segment increased by 18.6% to RMB576.2 million (2008: RMB486 million), whereas revenue generated from railway segment significantly increased by 44.3% to RMB549.2 million (2008: RMB380.6 million) for the year ended 31 December 2009.

Turnover analysis by operating segement

For the year ended 31 December

	2009 (RMB' million)	2009 %	2008 (RMB' million)	2008 %	Change %
Petrochemical	**576.2**	**51.2**	486.0	56.1	18.6
Railway	**549.2**	**48.8**	380.6	43.9	44.3
	1,125.4	**100**	866.6	100	29.9

Turnover analysis by types of goods and services supplied

For the year ended 31 December

	2009 (RMB' million)	2009 %	2008 (RMB' million)	2008 (%)	Change (%)
System sales					
– Petrochemical	**452.6**	**40.2**	392.0	45.2	+15.5
– Railway	**424.6**	**37.7**	286.6	33.1	+48.2
Sub-total	**877.2**	**77.9**	678.6	78.3	+29.3
Provision of engineering and maintenance services	**97.9**	**8.7**	67.7	7.8	+44.6
Distribution of equipment	**150.3**	**13.4**	120.3	13.9	+24.9
Total	**1,125.4**	**100.0**	866.6	100.0	+29.9

On the basis of types of goods and services supplied by the Group, revenue related to system sales, provision of engineering and maintenance services as well as distribution of equipment for the year ended 31 December 2009 amounted to RMB877.2 million (2008: RMB678.6 million), RMB97.9 million (2008: RMB67.7 million) and RMB150.3 million (2008: RMB120.3 million) respectively.

System sales to petrochemical industries

For the year ended 31 December 2009, revenue generated from system sales in relation to petrochemical industries increased by 15.5% to RMB452.6 million (2008: RMB392 million). The increase was mainly attributable to (i) the Group's satisfactory organic growth through consolidation and improvement of marketing efforts, which promptly led to changes and characteristics of the petrochemical markets, such as market expansion and product mix optimization. As a result, the Group was able to enhance its market share; (ii) the rebound of international oil price that fortified the development of coal chemical industry, and national policies that supported the coal chemical industry of the PRC. Against this backdrop, the Group completed quite a number of coal chemical projects in the year under review; and (iii) the Group proactively adjusted its operating strategies to gradually develop the middle and down stream petrochemical markets, and tapped the up stream petrochemical market. (iv) increase in revenue generated from new safety and critical control systems to expand the market, with a view to grasping the business opportunities related to small and mid size oil refineries and chemical plants; and (v) more revenue generated from international business following the expansion of overseas companies.

System sales to railway industries

For the year ended 31 December 2009, revenue generated from system sales in relation to railway industries increased by 48.2% to RMB424.6 million (2008: RMB286.6 million). The significant increase was mainly attributable to (i) significant organic growth in the national railway segment following the consistent and tremendous investments in new stations and reconstruction of old stations by the Ministry of Railways over the past years in China; (ii) revenue generated from newly developed products, such as Centralised Traffic Control ("CTC"); (iii) rebound of the local railway business as the iron and steel industries had been recovered after the financial crisis of 2008; and (iv) the Group's ability to grasp the opportunities to expand its urban rail transport business, of which the Group recognized partly the contract in relation to Beijing Subway Line number 15 as well as partly the contract in relation to Chongqing Metro Line number III.

Provision of engineering and maintenance services

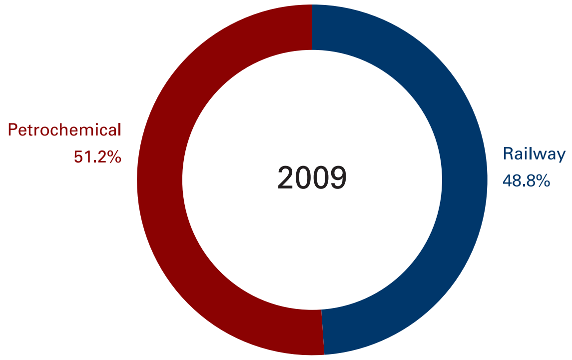
For the year ended 31 December 2009, revenue generated from the provision of engineering and maintenance services increased by 44.6% to RMB97.9 million (2008: RMB67.7 million) of which RMB77.9 million were from petrochemical segment and RMB20 million from railway segment. The rise was mainly due to (i) the large and expanding installation base as well as the wide acceptance by the clients of the customized maintenance services packages offered by the Group to the petrochemical business; and (ii) more engineering services businesses for the railway segment.

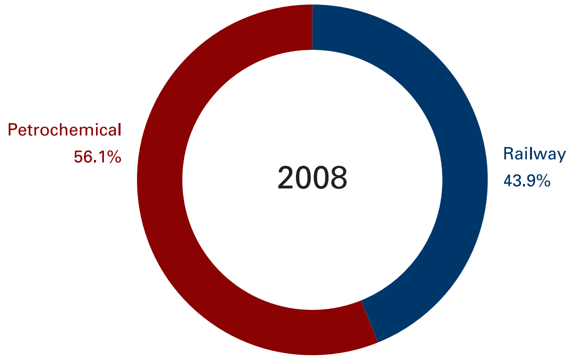
Distribution of equipment

For the year ended 31 December 2009, revenue in relation to equipment distribution increased by 24.9% to approximately RMB150.3 million (2008: RMB120.3 million) of which RMB102.6 million were from railway segment and RMB47.7 million from petrochemical segment. The management of the Group considered the equipment distribution business as incidental to its core system sales as well as provision of engineering and maintenance services business.

In terms of types of goods and services applied by the Group, 77.9% (2008: 78.3%) of the Group's revenue was generated from system sales, 8.7 % (2008: 7.8%) from the provision of engineering and maintenance services, and 13.4% (2008: 13.9%) from equipment distribution.

In addition, in terms of operating segment, 51.2% (2008: 56.1%) of the Group's revenue was generated from petrochemical and 48.8% (2008: 43.9%) from railway.





Gross profit

Gross profit for the year ended 31 December 2009 amounted to RMB488.9 million (2008: RMB329.9 million), posting a growth of RMB159 million or 48.2% over that of the previous year.

The overall gross profit margin was 43.4% for the year ended 31 December 2009, representing an increase of 5.3% compared with that of the previous year.

Gross profit analysis by types of goods and services supplied

	For the year ended 31 December		
	2009 (%)	2008 (%)	Change (%)
System sales			
– Petrochemical	**43.6**	40.3	+3.3
– Railway	**45.9**	37.0	+8.9
Sub-total	**44.7**	38.8	+6.4
Provision of engineering and maintenance services	**72.3**	70.6	+1.7
Distribution of equipment	**17.2**	15.2	+2.0
Total	**43.4**	38.1	+5.3

Gross profit margin of system sales in relation to petrochemical industries

The gross profit margin increased by 3.3% to 43.6% (2008: 40.3%) due mainly to (i) the favourable change in product mix of which the proportion of revenue related to the higher margin ITCC systems increased relative to ESD and FGS for the year ended 31 December 2009; (ii) the delivery of more “integrated plant package” safety and critical control systems of which competition was very limited, hence a higher margin; (iii) increase sale to foreign invested projects in China, which demanded higher engineering standards and were more complex, hence a higher margin; (iv) increase sale to higher margin international projects; and (v) revenue generated from new safety and critical control systems which had a higher margin.

Gross profit margin of system sales in relation to railway industries

The gross profit margin increased by 8.9% to 45.9% (2008: 37.0%). The rise was mainly due to (i) a shortening of the warranty period (free maintenance of approximately ten years) to two to three years resulting a lower cost provision, hence a higher margin; (ii) more stringent cost control measures on project planning, management and execution; and (iii) revenue generated from newly developed products such as CTC enjoyed higher margin.

Gross profit margin of the provision of engineering and maintenance services

The overall gross profit margin increased by 1.7 percentage points to 72.3% (2008: 70.6%) compared with that of the corresponding period of the previous year. The gross profit margins for both petrochemical segment and railway segment were at more or less the same level.

The increase in margin was mainly due to an increase in revenue generated from the customized maintenance services contracts (such as different combinations amongst labour man hours, engineering hours and spare parts in respect of ad hoc and regular maintenance), which enjoyed a higher margin.

The management of the Group believes that the provision of engineering and maintenance services business enjoys an attractive margin and will lead to the expansion of this business segment. The management expects that given a relatively large and expanding installation client base for both the petrochemical and railway business, there is huge potential for the after sales engineering support services to become a significant and stable source of recurring revenue.

Gross profit margin of distribution of equipment

For the year ended 31 December 2009, the gross profit margin of equipment distribution business increased by two percentage points to 17.2% (2008: 15.2%). The gross profit margins for petrochemical segment and railway segment were at 27.1% and 13.0% respectively. The rise was mainly a result of the proactive management and procurement of hedging contracts such that the exchange rates between Japanese Yen and US Dollar were fixed at the outset in order to protect the margin of the contract.

Other Income

For the year ended 31 December 2009, other income significantly increased by RMB12.8 million to RMB41.1 million (2008: RMB28.3 million). Thanks to the government grants in relation to VAT refund from local tax bureau of preferential policy on VAT software manufacturer. The Group has a number of major operating subsidiaries which enjoy the preferential policy on VAT refund of paying 17% and refund 14% for the sales of embedded software. Such refund is expected to be recurring in the forthcoming years.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2009 were RMB88.2 million (2008: RMB69.4 million), which increased by 27.1%, compared with the previous year. Such increase was mainly attributable to (i) increased staff costs attributable to the increased sales and marketing head-count and general improvement in salaries and staff benefits to be in line with the expanded products and services; (ii) more entertainment, advertisement and travelling expenses as well as office supplies expenses incurred in line with the expanding sales and services support network and new business development in the PRC; and (iii) the increase in commission and services fees for tendering institutions in line with the large number of contracts awarded during the year under review.

However, the significant increase in revenue of the Group in 2009 resulted in a decline in selling and distribution expenses as a percentage of the Group's full year revenue from 8% to 7.8%.

Administrative expenses

Administrative expenses for the year ended 31 December 2009 amounted to RMB133.8 million (2008: RMB89.1 million), representing an increase of 50.2% when compared with that of the previous year. The increase was mainly attributable to (i) the increase in rental expenses as more new offices were rented for new operating subsidiaries and increased business activities; (ii) increased staff costs attributable to increased administrative staff head-count and general improvement in salaries and staff benefits to cope with the expanded products and services as well as the increase in directors' emoluments; (iii) increased entertainment and travelling expenses as well as office supplies expenses in line with the increased business activities.

Administrative expenses as a percentage of the Group's full year revenue increased by 1.6% to 11.9% (2008: 10.3%) for the year ended 31 December 2009.

Research and development expenses

Research and development expenses for the year ended 31 December 2009 were RMB28.8 million (2008: RMB5.3 million), a 443.4% increase from that of the previous year. Such increase was mainly due to the increase in research and development projects in relation to the development of new signalling related technology and products for metro railway such as signalling systems for high-speed trains, automation train operation ("ATO") and automation train protection ("ATP") as well as the new safety and critical control systems for the mid and small size oil refineries and chemical plants for the petrochemical business.

Share of results of associates

There was no share of results of associates for the year ended 31 December 2009. (2008: amounted to RMB4.1 million primarily reflected the results achieved by BJM during the period from 10 March 2008 to 11 June 2008 of which Group an equity interest of 46.97% was recorded at that time).

Finance costs

Finance costs for the year ended 31 December 2009 increased by RMB6.2 million to RMB14.6 million (2008: RMB8.4 million). The increase was mainly attributable to a higher level of bank charges and interest expenses which was in line with the higher utilization of trade finance and invoice financing as well as working capital loans for the year under review.

Income tax expenses

Income tax expenses amounted to RMB20.7 million (2008: RMB21.5 million) for the year ended 31 December 2009, which was more or less in line with that of previous year. This was mainly attributable to the fact that most of the Group's major operating subsidiaries were on tax concession for the year ended 31 December 2009, as with the corresponding period of the previous year.

The effective tax rate of the Group for the year ended 31 December 2009 was at 7.8% (2008: 11.3%) as most of the Group's major operating subsidiaries were on tax concession, as with the corresponding period of previous year. The decrease in the effective tax rate of the Group by 3.5% to 7.8% was mainly due to the increase in non-taxable income such as VAT refund during the year.

Profit for the year

As a result of the foregoing, the Group recorded a profit attributable to equity holders of the Company of RMB212.1 million (2008: RMB149.2 million) for the year ended 31 December 2009, representing a growth of RMB62.9 million or 42.2% when compared with that of the previous year.

Net profit margin attributable to equity holders of the Company increased by 1.7% to 19% (2008: 17.3%) for the year ended 31 December 2009.

Earnings per share

Earnings per share increased by RMB5.34 cents (representing 32.2%) from that of the previous year to RMB21.91 cents (2008: RMB16.57 cents) for the year ended 31 December 2009.

Dividend

The Board recommends distribution of a dividend of 5.0 HK cents per share, equivalent to RMB4.4 cents per share (2008: 4.0 HK cents per share, equivalent to RMB3.5 cents per share) in respect of the year, representing a total payout of RMB44.3 million and 20.9% distribution of the current year profit.

Liquidity, financial resources and capital structure

The Group's liquidity position remains strong.

Net cash from the Group's operating activities increased by RMB101.1 million to RMB103.5 million (2008: RMB2.4 million) for the year ended 31 December 2009. The rise was mainly attributable to (i) an increase in profit before taxation of the Group by RMB74.5 million to RMB264.5 million for the year ended 31 December 2009 (2008: RMB190 million) and (ii) an increase of RMB120.2 million in trade and bills payable.

Net cash used in investing activities of the Group decreased by RMB238.2 million to RMB61 million (2008: RMB299.2 million) for the year ended 31 December 2009. This was mainly due to (i) the lack of significant investment during the year whilst there was a payment to the tune of RMB185.2 million for the acquisition of the equity interests in BJM in 2008; (ii) the decrease in bank deposits under conditions of RMB41.6 million.

Net cash from financing activities decreased by RMB122.4 million to RMB185.1 million (2008: RMB307.5 million) for the year ended 31 December 2009. This was mainly due to a decrease of RMB103.6 million in net borrowings (new borrowings raised less repayments of borrowings) raised in 2009.

As at 31 December 2009, cash and bank balances (including bank deposits under conditions) amounted to RMB623.1 million (31 December 2008: RMB392.1 million). The working capital (net current assets) of the Group as at 31 December 2009 amounted to RMB1,050.3 million (31 December 2008: RMB650.9 million), representing an increase of 61.4% from previous year-end. The current ratio further improved to 3.0 times (31 December 2008: 2.6 times).

Gearing position

The Group's prudent financial management policies enabled it to maintain a healthy net cash and bank balance of RMB389.2 million as at 31 December 2009 (31 December 2008: RMB197.7 million). All of that was deposited with commercial banks.

As at 31 December 2009, total liabilities to shareholders equity increased to 48.3% (31 December 2008: 50.3%). Total liabilities of the Group amounted to RMB676.6 million (31 December 2008: RMB498.4 million).

As at 31 December 2009, the bank borrowings of the Group amounted to RMB233.9 million (31 December 2008: RMB194.4), of which the majority was related to trade finance, invoice financing and working capital loans while the minority was related to a construction loan for the construction of a new complex comprising R&D centre, production facilities and office premises in Beijing.

The management of the Group is confident that the Group's existing financial resources and banking facilities will be sufficient for its future expansion plans. Should other opportunities arise and additional funding is required, the management also believes that the Group is in a good position to obtain financing on favourable terms.

Significant investments, mergers and acquisitions

For the year ended 31 December 2009, the Group had no other significant investments, mergers and acquisitions and disposals of any subsidiaries and associated companies.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

FUTURE OUTLOOK

Leveraging its strengths in existing product, technology, market and engineering service, the Group will continue to expand product application, optimise product mix, enhance research and development and extend service coverage. In the years ahead, the Group will boost the development of the railway signaling business and the petrochemical business so as to facilitate the organic integration and balanced development of these two business segments.

FUTURE OUTLOOK

As the largest safety and critical control system solution provider in the petrochemical industry and one of the largest providers of railway signal solution system in China, the Group will continue to leverage its strengths in existing product, technology, market and engineering service to expand product application, optimise product mix, enhance research and development and extend service coverage. It will boost the steady and rapid development of the railway signaling business and the petrochemical business to facilitate the organic integration and balanced development of these business segments in the years ahead.

Railway signaling business

- *Organic growth*

  Capitalising on its existing competitive edges in its products, technology, market and services, the Group will continue to maintain its leading position as one of the largest providers of railway signal solution system in China. Besides, it will leverage the rapid development of the railway industry in China to enhance research and development and expand product lines for meeting market demand and increasing market share. In addition, the Group will strive for higher gross profit of revenue from the provision of services by taking full advantage of its high market share.

  For the state-owned railway business, the Group will continue to improve its existing signaling product systems and swiftly establish its express railway signaling control system product series through independent research and development and external cooperation. Moreover, the Group will seize market opportunities brought by the rapid development of the PRC railway industry, take full advantage of the RMB4 trillion economy stimulus plan introduced by the PRC government, the Medium-to-long term Rail Network Development Plan issued by the MOR and other provincial and municipal development plans for urban rail transport and maintain the rapid growth of the Group's railway business.

  The Group will leverage its technological edge in the existing railway signaling business to actively expand the urban rail transport communication signaling business and develop product series such as urban rail train ATP and train ATO. It will also continue to capitalise on the advantage of the Group as one of the manufacturers designated by the authority of urban rail transport in China for the production of domestic communication signaling equipment. As a general contractor for the PRC rail transport signaling industry, the Group will undertake more railway and urban rail communication signaling projects throughout the country.

  For local and industrial ore railways, the Group will leverage its existing advantages to actively develop the market and establish an integrated product system through independent research and development and external cooperation. Given the fact that more existing railway signaling and control system products are developed based on the management technologies urgently required for local railways and industrial ore railways, the Group will strive to become the leader of local and industrial ore railway signaling management and control technology in the PRC.

  In addition, the Group will develop the rail vehicle industry and the control product industry closely related to signaling systems with high synergy effect based on customer and market demands for its existing railway signaling systems. Through its effective cooperation with the world's renowned top 500 enterprises, the Group will expand its existing railway signaling systems and improve the technology of such systems with a view to raising its market competitiveness and making strategic preparation for its long-term development.

- *Investments and merger & acquisition*

  The Group will actively expand its railway signaling business through joint ventures, investments and mergers and acquisitions. For the purpose of its existing railway signaling business, the Group is actively identifying enterprises which have competitive edges in independent intellectual property rights, core technologies, marketing, sales and engineering resources and may deliver high synergy effect with the Company's existing railway signaling business as targets for investment, merger and acquisition.

Petrochemical business

- *Organic growth*

  As the largest safety and critical control system solution provider in China, the Group will continue to make steady improvement by taking advantage of its high market share. The Group will expand product application, optimise product mix and enhance research and development. Through exploring new construction projects and extending service coverage, the Group will have higher gross profit of revenue from the provision of services.

  The Group will be committed to expanding the safety and critical control system solution business in the downstream of the petrochemical industry while developing the automatic safety solution business in the upstream of the gas pipeline network industry steadily. To cater for the demand of existing customers in the petrochemical industry and optimise product mix, the Group will also endeavor to develop the automatic instrument business which has high synergy effect with its existing safety and critical control systems. With further enhanced composite service of industrial automation, turnover of the Group is poised to increase.

  The Group will actively capitalise on the Group's accumulated market, manpower and technical resources to strive to become a core integrated automatic solution provider in the petrochemical industry within the next few years.

- *Expanding overseas markets*

  Apart from stabilising and expanding its leading position in the existing PRC petrochemical industry, the Group will continue to actively develop overseas engineering and services business with high profit margins, and expedite the growth in overseas markets.

  Leveraging its excellent capacity in engineering and provision of service, sophisticated experience in overseas project management and the advantage of relatively low cost of domestic labour, the Group has sped up its overseas business expansion. To provide safety and critical integrated solutions of automatic control systems to international customers, the Group, on the basis of the existing presence in North America and Singapore, established new companies in Japan and Singapore and intended to establish a new company in Dubai in 2009 to establish a global network centred at North America, with TMC product series as its major products.

  In 2010 and the future, the Group will actively expand its overseas markets and provide the Group's quality automatic products and technical services to overseas customers to enhance our profit margins in overseas markets, thus bringing greater momentum to the overall growth of the Group.

- *Investment and merger & acquisition*

  The Group will expand its petrochemical business through joint-venture, investment, merger and acquisition. In respect of the safety and critical control system business, the Group will identify enterprises which have competitive edge in proprietary intellectual property rights, core technologies, marketing, sales and engineering resources and may deliver high synergy with the Group's existing safety and critical control system business as targets for investment and acquisition.

  In general, the Group will devote more efforts to the stable yet rapid development of its railway signaling business as well as its petrochemical business in 2010 and the forthcoming years. Besides, the Group aims at maximising returns for its shareholders through its organic growth, investment as well as merger and acquisition.

INVESTOR RELATIONS REPORT

In 2009, the Group has continued to pursue its investor relations strategies in a proactive and transparent manner while enhancing the communication with its investors so that they could have a better knowledge and understanding of the Group's future development, operational situation and financial performance. During the year, both the publicity and transparency of the Group in the capital market have been enhanced and it helps the Group's investors to make informed investment decisions.

On the basis of a fair disclosure, the Group has maintained fair, sincere and timely communication with our investors through various channels to report the Group's latest information:

— Investor presentation of interim and annual results
— International road shows
— Investment forums
— Communication with mass media
— Arrange meetings between the senior management and investors
— Arrange visits to the Group's production facilities and our clients' premises
— Prompt response to investor enquiries
— Communication through Group website

In 2009, the management of the Group participated in the following investor relations activities:

Type of event	Number of participants in 2009
International and domestic road shows and investment forums	29 times
Meetings with investment managers and analysts	Over 150 times
Telephone conferences	Over 50 times
Interviews with mass media	Interviews with more than 15 media organizations

The commitment of the Group to pursue a timely communication with our investors has been widely recognized by professional bodies:

— In December 2009, Mr. Xuan Rui Guo, our Chairman of the Board, was awarded "APEA Asia-Pacific Entrepreneur (APEA 亞太企業家獎)";
— In October 2009, Mr. Xuan Rui Guo, our Chairman of the Board, was awarded "Ernst & Young Entrepreneur of the Year 2009 China";
— In September 2009, the Group was listed as "200 Best Under a Billion" by Forbes, a well known US financial magazine;
— In June 2009, the Group ranked 16th in "Top 100 in IT enterprises in China (including Hong Kong) (內地（含香港）科技企業百強榜)" by "CEO & CIO (IT 經理世界)";
— In May 2009, the Group was selected as one of constituents of the MSCI China Index;
— In May 2009, the Group became one of the five largest constituent stocks of (Macquarie China New Stars Fund);
— Annual Report 2008 of the Group won two gold awards in the Annual Report Competition organized by LACP - League of American Communications Professionals, including "Best Letter to Shareholders – Gold (Asia-Pacific Region)" and "Gold Award for excellence with its industry (energy) on the development of the organization's annual report for the past fiscal year"

In 2009, the Group successfully completed the second placement since its listing. The shareholdings of DnB NOR Asset Management (Asia) Ltd. and The Hamon Investment Group Pte Ltd exceeded 5% of the overall shareholding for the first time, which amount to 6.95% and 5.02% respectively. In November 2009, the board lot of the Company's shares were reduced from 4,000 shares to 1,000 shares so as to increase the liquidity of the Group's shares and enhance its shareholder base.

In 2010, the Group will strive to continue to enhance investor relations. The senior management of the Group will put more efforts in the area of investor relations in order to maintain a more transparent disclosure of the Group.

DIRECTORS

Executive Directors

Mr. Xuan Rui Guo (宣瑞國), aged 41, the Group's founder, Executive Director and Chairman, is mainly responsible for the overall strategic, financial planning and long-term development. Mr Xuan is also one of the winners of the Ernst & Young Entrepreneur of The Year 2009 China. Mr. Xuan graduated from the Renmin University of China（中國人民大學）with a bachelor's degree in international politics. He has extensive experience in management, administration and business development in different industries including industrial automation, biotechnology, telecommunication and trading in the PRC. He was the general manager of Boda Telecommunication and Electronics Company Ltd. in Yunnan, China, manager of Beijing Invention Biology Company Ltd. and the general manager of Beijing Consen Automation Control Co., Ltd.

Mr. Huang Zhi Yong (黃志勇), aged 43, is a co-founder of the Group and Executive Director. He is also the head of the Group's software development team. Mr. Huang holds a master's degree in mechanical engineering in Dalian University of Technology（大連理工大學）. He has over four year's experience in the research & development of mechanical engineering and over twelve years' experience in the management of corporate operation, automation engineering and trading. He is in charge of the internal operations of the Group including R&D, financial management and customer service. Mr. Huang was an engineer of the Machinery Research Institute of Sinopec Tianjin Petrochemical Corp. and was the deputy general manager of Beijing Consen Automation Control Co., Ltd.

Mr. Kuang Jian Ping (匡建平), aged 46, the Group's co-founder and Executive Director and Chief Executive Officer, is mainly responsible for the Group's daily operation, merger and acquisition strategies and investors relation. Mr. Kuang holds a master's degree in mechanical engineering in Dalian University of Technology（大連理工大學）. He has over 15 years of experience in sales and marketing as well as management in the instrument and automation business in the China chemical and petrochemical industry. Mr. Kuang was a sales manager of the Instrumentation Technology Company of Dalian University of Technology who was responsible for trading instruments and automation systems. He also worked as a sales manager and subsequently a deputy general manager in a subsidiary of China Chemical Industry Equipment and Instrumentation Company in Hainan province and was responsible for trading chemical equipment and instruments. Besides, Mr. Kuang worked in Beijing Consen Automation Control Co., Ltd. as the deputy general manager in charge of sales and marketing.

Mr. Tang Min (湯敏), aged 67, is as an Independent Nonexecutive Director. Mr. Tang joined the Group in June 2007. He graduated from Beijing University of Chemical Technology（北京化工大學）with a bachelor's degree specializing in organic syntheses, organic department. From 1965 to May, 1990, he served at Lanzhou Chemical Industry Corporation and was a deputy general engineer before he left the company. From June 1990 to December 2004, Mr. Tang worked in Yangtzi Petrochemical Company Limited and his last position was deputy managing director. After Mr. Tang's retirement, he had been engaged by BASF — YPC Company Limited as senior consultant from January 2005 to September 2005. In 2000, Mr. Tang was awarded by China Petrochemical Corporation as senior engineer of a professor level of qualification.

Mr. Wang Tai Wen (王泰文), aged 63, is an independent Nonexecutive Director since January 2008 while being an external director of China National Foreign Trade Transportation (Group) Corporation. Prior to joining the Company, He also held various managerial positions in Ziyang Internal Combustion Locomotive Plant; the chairman, general manager and secretary to the communist party committee of China National Railway Locomotive Corporation; and also served as chairman and secretary to the communist party committee of China Southern Locomotive Industrial Group Corporation. In November 2006, Mr. Wang joined China Railway Engineering Group Company Limited as an external director. According to the Notice on board of directors of wholly state-owned company issued by Stateowned Assets Supervision and Administration Commission of the State Council, being an external director of China National Foreign Trade Transportation (Group) Corporation, Mr. Wang's main responsibilities are to attend meetings of its board of directors and to make decision in the capacity as a director. He did not participate in any daily operation at both China National Foreign Trade Transportation (Group) Corporation and its group companies. He graduated from Dalian Railway Institute（中國大連鐵道學院）, the PRC, majoring in machinery and manufacturing.

Mr. Ng Wing Fai (吳榮輝), aged 51, is an independent Nonexecutive Director. Mr. Ng joined the Group in June 2007. He has over 15 years' experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's degree of arts in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a postgraduate diploma in English and Hong Kong law from The Manchester Metropolitan University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a council member of the Society of Chinese Accountants & Auditors, and a member of the Hong Kong Securities Institute.

SENIOR MANAGEMENT

Mr. Yang Hong Yan (楊紅岩), aged 40, is a deputy general manager of the Group. He joined the Group in September 2003. He is also a director and general manager of Beijing Transportation. He is responsible for the operation of Beijing Transportation and leading the R&D team and engineering team to develop projects of the company. Mr. Yang graduated from China Academy of Railway Science（中國鐵道部科學研究院）.He worked in China Academy of Railway Science from 1993 to 2003. He was awarded the Vice Researcher Certificate in 2002. He was also awarded "The National Science Progress Award" by Ministry of Railway and State Science & Technology commission in 2001. In 2004, Mr. Yang cooperated with Beijing Consen to set up Beijing Transportation. His research achievement, MCIS system, was awarded the "Beijing Technical New Products".

Mr. Cui Da Chao (崔大潮), aged 53, is the Chief Financial Officer of the Group. He is primarily responsible for overseeing the Group's financial planning and control, accounting and financial affairs. Prior to joining the Group in 2004, Mr. Cui worked as an executive director and financial manager at a Canadian company principally engaged in trading of chemical raw materials. From 1999 to 2001, he was a partner and deputy general manager of a PRC accountancy firm. He graduated from Xiamen University（廈門大學）, the PRC, with a specialization in international accounting.

Mr. Wang Wen Hui (王文輝), aged 50, the Group's Vice-President and the Chairman of Beijing Jiaoda Microunion Technology Co., Ltd.. In 1984, he graduated from the Information Research Institute of Northern Jiaotong University（北方交通大學資訊研究所）, majoring in information processing, and was awarded a master degree in engineering. During the period between 1984 and 1993, Mr. Wang held a teaching post at the Information Research Institute of Northern Jiaotong University and was invited to Tokyo Institute of Technology as senior visiting scholar. During the period between 1993 and 2000, he served as department manager and general manager of Beijing Jiaotong University Technology Company and Beijing New Electrical Technology Company, respectively. Before taking up the post of the Chairman, he was a general manager of Beijing Jiaoda Microunion Technology Co., Ltd. since April 2000.

Mr. Li Hai Tao (李海濤), aged 40, is a Head of Strategic Development of the Group. Mr. Li joined the Group in March 2008, mainly responsible for investment and merger and acquisition issues of the Group. He obtained a MBA and a double bachelor's degree in engineering from Tsinghua University （清華大學）. He has expensive experience in investment, strategic development and corporate management, leading various merger and acquisition, as well as integration and new business development. Mr. Li was a vice president, general manager of investment department and general manager of corporate management department at Fei Shang Group in Shenzhen. He also served as general manager of investment management department at Hua Bao Group, managing director of Hua Bao Group Shenzhen Metropolis Trading Co. Ltd. and deputy managing director of Hua Bao Group Shenzhen Metropolis Logistic Co. Ltd.. From 1998 to 2001, Mr. Li was the head of development and research department at China International Marine Containers (Group) Co., Ltd.

Mr. Duan Min (段民), aged 43, is a deputy general manager of the Group. He is primarily responsible for overseeing the sales departments of the Group. He graduated with a bachelor's degree in automation of chemical engineering in Dalian University of Technology（大連理工大學）. He has over 16 years working experience in the automation systems and instruments industry in the PRC. He joined the Group in May 1999.

Mr. Ji Jun (季俊), aged 40, is a deputy general manager of the Group. He is primarily responsible for overseeing the quality control in engineering projects and the development of new products and techniques of the Group. He graduated with a bachelor's degree in production process automation in Zhejiang University（浙江大學）. He has over 15 years working experience in the automation systems and instruments industry in the PRC. He joined the Group in May 2001.

Mr. Zhou Zheng Qiang (周政強), aged 44, is a deputy general manager of the Group. He is primarily responsible for overseeing the marketing development of the group. He graduated with a bachelor's degree of process automation in the Department of Chemical Engineering in Zhejiang University（浙江大學）and also holds the Certificate of Senior Automation Engineer in China. He has worked in China Hua Lu Engineering company for 15 years from 1988 to 2002. From April 2002 to January 2006, he was the general manager of Xian Lan Qi Control System Engineering Company Ltd（西安藍溪控制系統工程有限責任公司）. He joined the Group in February 2006

Mr. Zhang Wei (張偉), aged 49, is the general manager of Beijing Jiaoda Microunion Technology Co., Ltd. (BJM). He graduated from the School of Electronic and Information Engineering of Northern Jiaotong University（北方交通大學電子資訊工程學院）in 1985, with a master's degree in engineering, majoring in Transportation Automation. From 1985 to 1993, Mr. Zhang held a teaching post at the School of Electronic and Information Engineering and Research Institute of Management and Science of Northern Jiaotong University respectively and was invited to Tokyo University as a senior visiting scholar. From 1993 to 2000, he served as the department manager and vice general manager of Beijing Jiaotong University Technology Company and Beijing New Electrical Technology Company, respectively. Since April 2000, Mr. Zhang was assistant general manager of BJM, and was subsequently promoted to general manager.

Mr. Bill Barkovitz, aged 39, is President of the Group's US operations, Inovex Corporation. He graduated from University of California, Irvine in 1993 with a bachelor's degree in Applied Physics. Upon graduating, he entered the field of control & automation. From 1994 to 2005, Mr. Barkovitz worked for Triconex Corporation, a division of Invensys. Triconex is the global leading supplier of safety, critical control, and turbomachinery systems for the process industries. He served as Sales Director of Northern Asia Pacific while based in Singapore from 1995-1998, then General Sales Manager of Europe, Middle East, & Africa from 1998-2001 while base in the UK. In 2001, Mr. Barkovitz moved to the Triconex corporate headquarters in Irvine, California to take on the role of Vice President Marketing. He moved to a start-up company in 2005, ORYXE Energy International , as Vice President of Marketing. ORYXE Energy develops emissions reduction chemical technologies for oil refiners and fuel distributors. In 2007, he left ORYXE Energy in order to form the first US corporate entity of China Automation Group called Inovex.

Mr. Tim Pieszchala, aged 52, is in charge of technical direction and R&D activities for turbomachinery products for the group. He is also the Vice President of Inovex and Tri-Sen Systems. He worked for the original Tri-Sen System from 1983 to 1992, then for Triconex and Invensys until 1999, holding various technical positions culminating in the Director of Engineering position for turbomachinery. In 1999, he went to work for Dresser-Rand as their Sale and Marketing Manager responsible for world-wide controls sales. He also held position of Manager of Condition Monitoring, establishing Dresser-Rand's consolidation of those efforts. In 2005 he established his own consulting firm before joining the group in 2007. He holds two bachelor's degrees in Fine Arts and Computer Science from Indiana University and a master degree in Computer Systems Design from the University of Houston at Clear Lake.

Mr. Chow Chiu Chi (周昭智), aged 51, is the Financial Controller and Company Secretary. He joined the Group in June 2006. He graduated from the Hong Kong Polytechnic University with a bachelor of arts' degree in Accountancy. He is an associate member of the Chartered Institute of Management Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He also obtained a master's degree in business administration from the Hong Kong Polytechnic University. He has over 20 years of experience in finance, accounting and internal audit.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSES OF OPERATIONS

The Company is an investment holding company. The Group is engaged in the provision of safety and critical control system specialized for petrochemical and railway industries, along with related maintenance and engineering services.

The activities of the Group are mainly based in the PRC. Analyses of the Group's revenue and contribution to operating result by principal activities and by principal markets are set out in notes 5 and 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 42 of this annual report.

The Directors have recommended distribution of a dividend of 5.0 HK cents per share (2008: 4.0 HK cents), amounting to a total of approximately HK$50,358,800 for the year ended 31 December 2009 (2008: HK$36,366,880) to the shareholders on the register of members of the Company on Tuesday, 18 May 2010.

Upon the approval being obtained in the forthcoming annual general meeting, the above dividend will be paid on or before 15, July 2010 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 18 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 May 2010 to Tuesday, 18 May 2010 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting and the entitlement of the aforementioned proposed dividend, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 May 2010.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 104 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the year ended 31 December 2009 are set out on page 45 of this annual report. As at the balance sheet date, the Company's distributable reserves amounted to RMB480,217,000 (2008: RMB317,533,000).

SHARE CAPITAL

Movements of the share capital of the Company is set out in note 31 to the financial statements.

CHARITABLE CONTRIBUTIONS

The Group had not made any charitable contribution during the year ended 31 December 2009 amounted to Nil (2008: RMB300,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2009 are set out in note 42 to the financial statements.

EMPLOYEES

As at 31 December 2009, the Group had a total of 836 employees (2008: 641). The emoluments payable to the employees of the Group are based on their responsibilities, qualifications and experience and the related industrial practices.

DIRECTORS

The Directors during the year and as at the date of this report were:

Executive Directors
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

Independent non-executive Directors
Mr. Tang Min
Mr. Wang Tai Wen
Mr. Ng Wing Fai

Pursuant to Article 87 of the articles of association of the Company, Mr. Xuan Rui Guo and Mr. Wang Tai Wen shall retire from their offices by rotation at the forthcoming annual general meeting and shall be eligible to offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

The emoluments payable to the Directors are based on terms of their respective service contracts with the Company. The Directors' fee payable is subject to annual assessment and approval by the Board and shareholders of the Company at annual general meetings. Details of the emoluments paid and payable to the Directors for the year ended 31 December 2009 are shown in note 11 to the financial statements.

The contributions to pension schemes for the Directors for the year ended 31 December 2009 are disclosed in note 11 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 27 to 30 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the share option scheme of the Company as disclosed in note 39 to the financial statements, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

USE OF NET PROCEEDS FROM THE IPO EXERCISE

The Company raised an aggregate net proceeds of approximately HK$319.5 million from the issuance of equity securities pursuant to the issue of an aggregate of 230,000,000 shares of HK$0.01 each in the Company (the "Shares") pursuant to the IPO exercise. As at 31 December 2009, the Group has used the net proceeds from the IPO exercise as follows:-

		Net IPO proceeds (HK$ million)	
Use of Proceeds	**Available**	**Utilised**	**Unutilised**
Construction of a new complex	40.0	16.3	23.7
Research and development expenses	40.0	40.0	—
Expansion and improvement of the Group's sales network	30.0	30.0	—
Expansion and improvement of the Group's service network	25.0	15.1	9.9
Pursuing suitable acquisition	60.0	60.0	—
Setting up an overseas office	30.0	23.5	6.5
General corporate purposes and working capital	94.5	94.5	—
	319.5	279.4	40.1

As at 31 December 2009, the amount of unutilised proceeds from the IPO exercise was approximately HK$40.1 million and will be used for other purposes as described in the prospectus of the Company dated 28 June 2007.

USE OF NET PROCEEDS FROM THE PLACING EXERCISE

Pursuant to a placing and subscription agreement dated 5 May 2009 entered into among the Company, Consen Group Holding Inc. ("Consen Group"), CLSA Limited, Daiwa Securities SMBC Hong Kong Limited and Mr. Xuan Rui Guo which was completed on 15 May 2009, 126,000,000 Shares then held by Consen Group were placed at a placing price of HK$2.30 per Share (the "Placing") and subsequently Consen Group subscribed for the 86,000,000 new Shares allotted and issued by the Company to Consen Group at a price of HK$2.3 per Share (the "Subscription") and such Shares ranked pari passu in all respects with the existing issued Shares on completion date of the Subscription. The Placing and the Subscription are effected to raise funds for the long-term benefit of the Company. The net proceeds from the Subscription amounting to approximately HK$193.32 million were duly received by the Company on 15 May 2009. As at 31 December 2009 the net proceeds of HK$193.32 million remains unutilised. The Company intended to use the net proceeds of the Subscription for potential acquisition or investment opportunities in related businesses.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Hong Kong 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") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Director's interests in the shares of the Company

	No. of shares						
Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Interest in underlying shares pursuant to share options	Total	Approximate percentage of shareholding
Mr. Xuan Rui Guo (Note)	—	—	481,950,541	—	—	481,950,541	47.87%

Note: Consen Group is the legal and beneficial owner of 481,950,541 shares. Consen Group is wholly-owned by Consen Investments Holding Inc. ("Consen Investments"), which in turn is owned as to 50%, 25% and 25% by Mr. Xuan Rui Guo ("Mr. Xuan"), Mr. Huang Zhi Yong ("Mr. Huang") and Mr. Kuang Jian Ping ("Mr. Kuang") respectively. Accordingly, Mr. Xuan is deemed to be interested in the 481,950,541 shares held by Consen Group by virtue of the SFO.

(ii) Director's interests in the shares of associated corporations

		No. of shares					
Name of Associated corporation	Name of Directors	Personal interest	Family interest	Corporate interest	Interest in underlying shares pursuant to share options	Total	Percentage of shareholding
Consen Investments	Mr. Xuan	500,000	—	—	—	500,000	50%
	Mr. Huang	250,000	—	—	—	250,000	25%
	Mr. Kuang	250,000	—	—	—	250,000	25%
Consen Group (Note)	Mr. Xuan	—	—	5,000,000	—	5,000,000	100%

Note: Consen Investments is the legal and beneficial owner of 5,000,000 shares in Consen Group. Consen Investments is legally and beneficial owned as to 50% by Mr. Xuan, 25% by Mr. Huang and 25% by Mr. Kuang. Accordingly, Mr. Xuan is deemed to be interested in the 5,000,000 shares held by Consen Investments in Consen Group.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

(a) Interest in the Company

As at 31 December 2009, the following persons (not being a Director or chief executive of the Company) had interests and short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:-

Name	Capacity	Number of shares	Percentage of holding
Consen Group	Registered & beneficial owner	481,950,541	47.87%
Consen Investments (Note 1)	Interest in a controlled corporation	481,950,541	47.87%
DnB NOR Asset Management (Asia) Ltd	Registered & beneficial owner (Investment Manager)	69,957,000	6.95%
The Hamon Investment Group Pte Limited	Registered & beneficial owner (Investment Manager)	50,598,000	5.03%

Notes:

1. *Consen Group is wholly-owned by Consen Investments and therefore, Consen Investments is deemed to be interested in such 481,950,541 shares held by Consen Group under the SFO.*

(b) Interest in other members of the Group

As at 31 December 2009, so far as the Directors are aware, no persons were directly or indirectly interested in 10% or more of the voting power at any general meeting of any member of the Group

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive Directors including independent non-executive Directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive Directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders of the Company; (v) any associates of directors, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders of the Company. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

As at 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,408,000 (2008: 38,948,000), representing 2.72% (2008: 4.28%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders of the Company or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by eligible employee to the Company on acceptance of the option as consideration for the grant. Options may be exercised at any time from twelve months from the date of grant of the share option to the five anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the share options granted and exercised during the current year and outstanding at 31 December 2009 and 2008 are as follows:

	Outstanding at 31 December 2008	Reclassified during the year	Granted during the year	Exercised during the year	Outstanding at 31 December 2009
Key management	13,800,000	200,000	—	(4,368,000)	9,632,000
Other employees	25,148,000	(200,000)	—	(7,172,000)	17,776,000
	38,948,000	—	—	(11,540,000)	27,408,000

	Outstanding at 31 December 2007	Reclassified during the year	Granted during the year	Exercised during the year	Outstanding at 31 December 2008
Key management	13,000,000	(200,000)	1,000,000	—	13,800,000
Other employees	24,948,000	200,000	—	—	25,148,000
	37,948,000	—	1,000,000	—	38,948,000

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company has repurchased certain of its own shares through the Stock Exchange. Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands in respect of the Company's share capital.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and revenue for the year ended 31 December 2009 attributable to the Group's major suppliers and customers respectively are as follows:

	2009 %	2008 %
Purchases		
– the largest supplier	**36.2**	37.2
– the five largest suppliers combined	**53.6**	57.3
Revenue		
– the largest customer	**28.4**	10.4
– the five largest customers combined	**55.4**	42.0

None of the Directors, their associates, or shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) held any interests in the five largest suppliers or customers noted above.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in note 43 to the financial statements.

INDEPENDENT NON-EXECTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares in the market at the date of this report.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The consolidated financial statements of the Group for the six months ended 30 June 2009 and the year ended 31 December 2009 and the related disclosures have been reviewed and approved by the audit committee.

AUDITORS

The financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Xuan Rui Guo
Chairman

Hong Kong, 22 March 2010

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures which serve as an important element of risk management throughout the growth and expansion of the Company. The Company emphasizes on maintaining and carrying out sound, solid and effective corporate governance principles and structures.

The Company had complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In respect of the year ended 31 December 2009 (the "Relevant Period"), all the code provisions set out in the Code were met by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all the Directors, and all of them had confirmed that they have complied with the required standard of dealings set out therein during the year ended 31 December 2009.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the executive management team, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving budgets and overseeing the performance of management.

As at the date of this annual report, the Board comprised six members, consisting of three executive Directors, namely Mr. Xuan Rui Guo (the chairman), Mr. Huang Zhi Yong and Mr. Kuang Jian Ping (the chief executive officer); and three independent non-executive Directors, namely Mr. Tang Min, Mr. Wang Tai Wen and Mr. Ng Wing Fai. The roles of the chairman and chief executive officer are segregated. The profile of all the Directors, including the chairman, executive Directors and independent non-executive Directors are set out on pages 27 to 28 of this annual report. The relationship among members of the Board (including financial, business, family or other material or relevant relationships, if any) are also disclosed.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and considers all of the independent non-executive Directors to be independent.

Eight Board meetings were held during the Relevant Period. Directors actively participated in each meeting in person or via telephone conferencing. Directors received reports on the activities of the operating divisions and present papers supporting decisions which required the Board approval. The Board consents were given by vote at the Board meetings.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his interest and is required to abstain from voting. The matter is considered at a Board meeting attended by independent non-executive Directors who have no material interest in the transaction.

Details of the attendance of Directors at these Board meetings and at three committee meetings (the audit committee, the remuneration committee and the nomination committee) in the Relevant Period are set out in the following table:

	Meetings attended/Meetings held			
Name of director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Xuan Rui Guo	8/8	N/A	1/1	1/1
Mr. Huang Zhi Yong	8/8	N/A	1/1	N/A
Mr. Kuang Jian Ping	8/8	N/A	N/A	1/1
Independent non-executive Directors				
Mr. Tang Min	5/8	2/2	1/1	1/1
Mr. Wang Tai Wen	5/8	2/2	1/1	1/1
Mr. Ng Wing Fai	5/8	2/2	1/1	1/1

All the Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters.

Minutes of Board meetings are taken by the company secretary and, together with any supporting documents, are available to all the Directors. Draft and final versions of the minutes are sent to all the Directors for their comment and record respectively.

AUDIT COMMITTEE

The Company established an audit committee on 16 June 2007 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The audit committee oversees the overall financial reporting process, as well as the adequacy and effectiveness of the Company's internal control. It also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards. There had not been any disagreement between the Board and audit committee on appointment and dismissal of external auditors during the Relevant Period.

The audit committee met twice during the Relevant Period to review and discuss with the management of the Company the internal controls and financial reporting matters including a review of the financial statements for the six months ended 30 June 2009 and the year ended 31 December 2009.

The audit committee comprises three members, all of whom are independent non-executive Directors, being Mr. Ng Wing Fai ("Mr. Ng"), Mr. Tang Min ("Mr. Tang") and Mr. Wang Tai Wen ("Mr. Wang"). The audit committee is chaired by Mr. Ng.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 16 June 2007 with written terms of references in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration of Directors is determined by the Board based on the advice of the remuneration committee with reference to their responsibilities with the Company.
The remuneration committee met once during the Relevant Period to review and approve the remuneration of the directors and senior management of the Company.

The remuneration committee comprises five members, three of whom are independent non-executive Directors, namely Mr. Wang, Mr. Tang and Mr. Ng, and the other two of whom are executive Directors, namely Mr. Xuan Rui Guo ("Mr. Xuan") and Mr. Huang Zhi Yong. The remuneration committee is chaired by Mr. Wang.

NOMINATION COMMITTEE

The Company established a nomination committee on 16 June 2007 with written terms of references in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship. The selection of individual to become directors is based on assessment of their professional qualifications, experience and prevailing industry practices.

The nomination committee met once during the Relevant Period to review and recommend the appointment of the independent non-executive director and reappointment of the retiring Directors for shareholders' approval at the forthcoming annual general meeting.

The nomination committee comprises five members, three of whom are independent non-executive Directors, being Mr. Tang, Mr. Ng and Mr. Wang, and the other two of whom are executive Directors, namely Mr. Xuan and Mr. Kuang Jian Ping. The nomination committee is chaired by Mr. Tang.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, the fees charged by the Company's auditors in respect of audit and taxation services amounted to approximately RMB3,508,000 (2008: RMB2,727,000 and RMB400,000 (2008: RMB460,000) respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. The responsibilities of the auditors for the accounts are set out in the Independent Auditors' Report on page 41 of this annual report.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. In this connection, the management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; ensuring the maintenance of proper accounting records for internal use or for publication; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

COMMUNICATION WITH SHAREHOLDERS

The Group believes that effective communication with investors in developing of business is essential. Since the listing of the Company in July 2007, it has devoted itself to strengthen the good communication with all shareholders, investors, analysts and public media all the time in order to enhance the level of corporate governance.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are printed and sent to all shareholders. Press releases are posted on the Company's corporate website http://www.cag.com.hk, which is constantly being updated in a timely manner, and so contains additional information on the Group's business activities.

The Directors have been continuing to put their utmost effort to develop the direct communication channels with all investors to deepen their understanding in business, strategy and future development of the Group.

TO THE SHAREHOLDERS OF CHINA AUTOMATION GROUP LIMITED
(incorporated in Caymans Islands with limited liability)

We have audited the consolidated financial statements of China Automation Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 47, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	5	**1,125,435**	866,602
Cost of sales		**(636,556)**	(536,723)
Gross profit		**488,879**	329,879
Other income	7	**41,082**	28,314
Selling and distribution expenses		**(88,248)**	(69,423)
Administrative expenses		**(133,790)**	(89,112)
Research and development expenses		**(28,832)**	(5,321)
Finance costs	8	**(14,576)**	(8,377)
Share of results of an associate		**—**	4,079
Profit before tax		**264,515**	190,039
Income tax expense	9	**(20,749)**	(21,500)
Profit for the year	10	**243,766**	168,539
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**82**	(535)
Total comprehensive income for the year		**243,848**	168,004
Profit for the year attributable to:			
Owners of the Company		**212,088**	149,177
Minority interests		**31,678**	19,362
		243,766	168,539
Total comprehensive income attributable to:			
Owners of the Company		**212,170**	148,642
Minority interests		**31,678**	19,362
		243,848	168,004
Earnings per share	14		
Basic (RMB cents)		**21.91**	16.57
Diluted (RMB cents)		**21.66**	16.57

	Notes	2009 RMB'000	2008 RMB'000
Non-current Assets			
Property, plant and equipment	15	**93,591**	53,873
Prepaid lease payments	16	**24,938**	25,522
Intangible assets	17	**276,029**	275,388
Goodwill	18	**76,175**	72,778
Deferred tax assets	20	**16,151**	13,070
Available-for-sale financial assets	21	**3,373**	—
		490,257	440,631
Current Assets			
Inventories	22	**318,598**	200,363
Trade and bills receivables	23	**590,455**	404,384
Amounts due from customers for contract work	24	**3,152**	—
Other receivables and prepayments		**53,295**	48,212
Amounts due from shareholders of subsidiaries	25	**—**	2,550
Bank deposits under conditions	26	**86,538**	83,229
Bank balances and cash	27	**536,598**	308,918
		1,588,636	1,047,656
Current Liabilities			
Trade and bills payables	28	**204,655**	84,413
Other payables, deposits received and accruals	29	**129,105**	107,801
Dividend payable		**2**	—
Tax liabilities		**9,668**	10,060
Borrowings	30	**194,875**	194,440
		538,305	396,714
Net Current Assets		**1,050,331**	650,942
Total Assets less Current Liabilities		**1,540,588**	1,091,573

	Notes	2009 RMB'000	2008 RMB'000
Capital and Reserves			
Share capital	31	**9,376**	8,516
Share premium and reserves	32	**1,275,124**	895,453
Equity attributable to owners of the Company		**1,284,500**	903,969
Minority interests		**117,759**	85,887
Total Equity		**1,402,259**	989,856
Non-current liabilities			
Deferred tax liabilities	20	**38,789**	39,332
Borrowings	30	**39,019**	—
Deferred income	33	**60,521**	62,385
		138,329	101,717
Total Equity and Liabilities		**1,540,588**	1,091,573

The consolidated financial statements on pages 42 to 47 were approved and authorised for issue by the Board of Directors on 22 March 2010 and are signed on its behalf by:

Director *Director*

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note 33 a)	Statutory surplus reserves RMB'000 (Note 33 b)	Contribution from owners RMB'000	Translation reserve RMB'000	Share option reserve RMB'000 (Note 33 c)	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	7,772	356,783	(18,335)	11,152	619	(5,612)	3,409	206,291	562,079	1,221	563,300
Profit for the year	—	—	—	—	—	—	—	149,177	149,177	19,362	168,539
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(535)	—	—	(535)	—	(535)
Total comprehensive income or expense for the year	—	—	—	—	—	(535)	—	149,177	148,642	19,362	168,004
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	123,553	123,553
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	(58,249)	(58,249)
Appropriations to reserves	—	—	—	13,070	—	—	—	(13,070)	—	—	—
Dividends recognised as distribution	—	—	—	—	—	—	—	(24,865)	(24,865)	—	(24,865)
Shares issued	777	206,515	—	—	—	—	—	—	207,292	—	207,292
Transaction costs attributable to issue of shares	—	(5,459)	—	—	—	—	—	—	(5,459)	—	(5,459)
Recognition of share-based payments	—	—	—	—	—	—	20,339	—	20,339	—	20,339
Share repurchased and cancelled	(33)	(4,026)	—	—	—	—	—	—	(4,059)	—	(4,059)
At 31 December 2008	8,516	553,813	(18,335)	24,222	619	(6,147)	23,748	317,533	903,969	85,887	989,856
Profit for the year	—	—	—	—	—	—	—	212,088	212,088	31,678	243,766
Exchange difference arising on translation of foreign operations	—	—	—	—	—	82	—	—	82	—	82
Total comprehensive income or expense for the year	—	—	—	—	—	82	—	212,088	212,170	31,678	243,848
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	(1,703)	(1,703)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	1,897	1,897
Appropriations to reserves	—	—	—	14,314	—	—	—	(14,314)	—	—	—
Dividends	—	—	—	—	—	—	—	(35,090)	(35,090)	—	(35,090)
Shares issued	759	173,602	—	—	—	—	—	—	174,361	—	174,361
Transaction costs attributable to issue of shares	—	(3,681)	—	—	—	—	—	—	(3,681)	—	(3,681)
Issue of shares on exercise of share options	102	32,728	—	—	—	—	(9,728)	—	23,102	—	23,102
Transaction costs attributable to issue of shares on exercise of share options	—	(223)	—	—	—	—	—	—	(223)	—	(223)
Recognition of share-based payments (Note 39)	—	—	—	—	—	—	10,006	—	10,006	—	10,006
Share repurchased and cancelled	(1)	(113)	—	—	—	—	—	—	(114)	—	(114)
At 31 December 2009	**9,376**	**756,126**	**(18,335)**	**38,536**	**619**	**(6,065)**	**24,026**	**480,217**	**1,284,500**	**117,759**	**1,402,259**

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before tax	**264,515**	190,039
Adjustments for:		
Share of results of an associate	**—**	(4,079)
Finance costs	**14,576**	8,377
Depreciation of property, plant and equipment	**7,306**	3,843
Share-based payment expense	**10,006**	20,339
Deferred income released to income	**(3,488)**	(2,854)
Allowance for (reversal of) bad and doubtful debts	**8,074**	(1,272)
Prepaid lease payments released	**584**	430
Amortisation of intangible asset	**5,181**	6,075
Loss on disposal of property, plant and equipment	**8**	—
Interest income	**(1,057)**	(4,104)
Operating cash flows before movements in working capital	**305,705**	216,794
(Increase) decrease in inventories	**(118,235)**	3,096
Increase in trade and bills receivables	**(194,235)**	(149,911)
Increase in other receivables and prepayments	**(5,073)**	(12,494)
Increase in amounts due from customers for contract work	**(3,152)**	—
Increase (decrease) in trade and bills payables	**120,289**	(11,938)
Increase in deferred income	**1,624**	2,255
Increase (decrease) in other payables, deposits received and accruals	**21,304**	(18,037)
Cash generated from operations	**128,227**	29,765
Income tax paid	**(26,216)**	(27,360)
Income taxes returned	**1,451**	—
Net cash from operating activities	**103,462**	2,405
Investing activities		
Interest received	**1,057**	4,104
Purchases of property, plant and equipment	**(47,032)**	(47,671)
Addition of prepaid lease payments	**—**	(9,252)
Purchase of intangible asset	**—**	(6,082)
Purchases of available-for-sale financial assets	**(3,373)**	—
Development costs paid	**(5,822)**	(10,240)
Repayment from shareholders of subsidiaries	**2,550**	—
Increase in bank deposits under conditions	**(3,309)**	(44,947)
Acquisition of an associate	**—**	(169,775)
Acquisition of a subsidiary	**—**	54,732
Acquisition of additional interest in a subsidiary	**(5,100)**	(70,088)
Net cash used in investing activities	**(61,029)**	(299,219)

	2009 RMB'000	2008 RMB'000
Financing activities		
New borrowings raised	**471,224**	313,557
Interest paid	**(14,576)**	(8,377)
Repayments of borrowings	**(431,770)**	(170,556)
Contribution from minority shareholders	**1,897**	—
Dividends paid	**(35,088)**	(24,865)
Repurchase of shares	**(114)**	(4,059)
Proceeds from issue of shares	**174,361**	207,292
Expenses on issue of shares	**(3,681)**	(5,459)
Proceeds from issue of shares on exercise of share options	**23,102**	—
Expenses on issue of shares on exercise of share options	**(223)**	—
Net cash from financing activities	**185,132**	307,533
Net increase in cash and cash equivalents	**227,565**	10,719
Cash and cash equivalents at beginning of the year	**308,918**	301,659
Effect of foreign exchange rate changes	**115**	(3,460)
Cash and cash equivalents at end of the year	**536,598**	308,918
Analysis of the balances of cash and cash equivalents:		
represented by		
Bank balances and cash	**536,598**	308,918

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its parent is Consen Group Holding Inc. incorporated in the British Virgin Islands ("BVI") and its ultimate parent is Consen Investment Holding Limited incorporated in BVI. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The activities of its subsidiaries are set out in note 42.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING SATANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new or revised IFRSs") which have been issued by the International Accounting Standards Board which are or have become effective.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements. However, IAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

IAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. IAS 23 (Revised 2007) removes the option previously available to expenses all borrowing costs when incurred. The adoption of IAS 23 (revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs relating to qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in IAS 23 (Revised 2007). The change in accounting policy has had no material impact on the reported results or financial position of the Group.

The adoption of the new or revised IFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING SATANDARDS ("IFRSs") (CONT'D)

IAS 23 (Revised 2007) Borrowing Costs (cont'd)

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

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

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

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

Basis of consolidation

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

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

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

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

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

Business combinations

Common control combinations

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations (cont'd)

Non-common control combinations

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

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

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

Business combinations achieved in stages

A business combination achieved in stages involves more than one exchange transaction. Each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

Before qualifying as a business combination, a transaction qualified as an investment in an associate and was accounted for in accordance with IAS 28 Investments in Associates using the equity method.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill (cont'd)

When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Acquisition of additional interests in subsidiaries

When the Group acquires additional interests in subsidiaries, difference between any consideration paid and the relevant share of the book value of net assets of the subsidiary attributable to the additional interests in subsidiary acquired from minority interests are recognised as goodwill.

Investments in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. When a single transaction requires two or more separate goods or services to be delivered at difference times, revenue is allocated to each identifiable components.

Revenue from system sales is recognised when the system is delivered and accepted by the customers. When the system sales contract includes an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. For the product warranty service, the Group recognises revenue when the services are provided using the percentage of completion method. The percentage of completion is determined on the basis of costs incurred to date relative to estimated total costs for the duration of the services contracted. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

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

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Revenue for provision of maintenance and engineering service is recognised when the services are provided.

Revenue for software sales (that do not involve significant implementation or customisation) is recognised when the fee is determinable, collection is probable, and the products are delivered.

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

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

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). When the Group disposes of a foreign operation, it shall transfer the cumulative amount of the translation differences relating to translation of the financial statements of that foreign operation presented under owners' equity to profit or loss in the period in which the disposal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which grants are intended to compensate.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Research and development expenditure

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

An internally-generated intangible asset arising from development or from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets (cont'd)

Intangible assets acquired in a business combination

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

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial asset. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

Effective interest method (cont'd)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables, amounts due from shareholders of subsidiaries, bank balances and deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets set out below).

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative that are either designated or not classified as loans and receivables.

For available-for-sale financial equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets set out below).

Impairment of financial assets
Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the loans and receivables have been affected.

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

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

- significant financial difficulty of counterparty; or
- default or delinquency in settlement of receivables; or
- it becoming probable that the debtors will enter bankruptcy or financial re-organisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

Effective interest method (cont'd)

Impairment of financial assets

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

Effective interest method (cont'd)

Financial liabilities

Financial liabilities including trade and bills payables, other payables, as well as borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Derecognition

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

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested of impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replacement share option and that of the original share option, at the date the modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on the grant date fair value of the original share options.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, the directors of the Company have made the following estimation with key assumption at the end of reporting period. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade and other receivables

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2009, a total allowance of doubtful debts on trade and other receivables of RMB8,370,000 (2008: RMB296,000) have been recognised on the Group's consolidated statement of financial position.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Indefinite useful life of license and trademarks

The Group's acquired license which was issued by the Ministry of Railway ("MOR") and represented the access right of the business of railway safety equipment manufacture and trademarks are classified as indefinite-lived intangible assets. This conclusion is supported by the fact that license and trademarks are capable of being renewed indefinitely by the PRC government upon its expiration at insignificant cost and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. The Group re-evaluates the useful life of license and trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets. It could change significantly as a result of the changing of admission policy of MOR and the railway accident occurred due to the railway safety equipments manufactured by the Group's subsidiary.

Deferred tax asset

As at 31 December 2009, deferred tax assets of RMB16,151,000 (2008: RMB13,070,000) in relation to the unused tax losses, impairment loss on trade and other receivables, deferred income and other temporary differences have been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining unused tax losses of RMB29,060,000 (2008: RMB16,063,000) due to the unpredictability of future profit streams. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material adjustment of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such an adjustment takes place.

Estimation of the deferred income of system sales

A subsidiary is principally engaged in providing Railway Interlocking Systems ("RIS") and Centralised Traffic Control ("CTC") products to the national railway. Being the industry practice on RIS and CTC sales, the RIS and CTC sales contracts include an identifiable amount for warranty service, that amount is deferred and recognised as revenue over the period during which the service is performed. The warranty services included replacement of spare parts, system upgrade and system maintenance. Considering the unique nature of system product, deferred income of system sales is recorded based on the anticipated total warranty costs to incur and anticipated margin of the warranty services. It requires management to apply judgment regarding past warranty costs incurred. As at 31 December 2009, deferred income of approximately RMB60,521,000 (2008: RMB62,385,000) is made for the systems products sold as set out in note 33.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2009 RMB'000	2008 RMB'000
System sales	**863,842**	667,462
Trading of equipments	**150,347**	120,335
Provision of maintenance and engineering services	**94,974**	66,778
Software sales	**13,408**	11,093
Rental income	**2,864**	934
	1,125,435	866,602

6. SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effective from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported in the consolidated financial statements was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. system sales, maintenance and engineering services, trading of equipment and software sales). However, information reported to the Group's Chief Executive Officer and Operating Management Committee which together is considered as the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment focuses more specifically on the category of customer. The principal categories of customers are petrochemical and railway. The Group's reportable segments under IFRS 8 are therefore as follows:

Petrochemical — integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services and sales of software products for the petrochemical, chemical, oil and gas, coal chemical industries

Railway — integration and sales of safety and critical control systems, trading of equipment, provision of maintenance and engineering services and sales of software products for the railway industry

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

6. SEGMENT INFORMATION (CONT'D)

Segment revenues and results

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

2009

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	**576,248**	**549,187**	**1,125,435**
Segment profit before tax	**109,983**	**167,934**	**277,917**
Income tax expense	**(3,201)**	**(17,548)**	**(20,749)**
Segment profit	**106,782**	**150,386**	**257,168**
Unallocated other income			**172**
Unallocated administrative expenses			**(13,574)**
Profit for the year			**243,766**

2008

	Petrochemical RMB'000	Railway RMB'000	Consolidated RMB'000
Revenue	486,049	380,553	866,602
Segment profit before tax	96,729	100,061	196,790
Income tax expense	(9,041)	(12,459)	(21,500)
Segment profit	87,688	87,602	175,290
Unallocated other income			835
Unallocated administrative expenses			(11,665)
Share of results of an associate			4,079
Profit for the year			168,539

All of the segment revenue reported above is from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the post-tax profit earned by each segment without allocation of central administrative expenses and interest income of the Company and share of result of an associate. This is the measure reported to the Group's Chief Executive Officer and Operating Management Committee for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities

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

Segment assets

	2009 RMB'000	2008 RMB'000
Petrochemical	**1,062,349**	708,962
Railway	**919,311**	778,120
Total segment assets	**1,981,660**	1,487,082
Other assets	**97,233**	1,205
Consolidated assets	**2,078,893**	1,488,287
Segment liabilities		
Petrochemical	**392,866**	215,283
Railway	**280,108**	281,983
Total segment liabilities	**672,974**	497,266
Other liabilities	**3,660**	1,165
Consolidated liabilities	**676,634**	498,431

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

- all assets are allocated to reportable segments other than bank balances and cash and property, plant and equipment of the Company.
- all liabilities are allocated to reportable segments other than other payables of the Company.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

2009

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	**37,800**	**18,431**	**20**	**56,251**
Depreciation and amortisation	**6,959**	**6,104**	**8**	**13,071**
Loss on disposal of property, plant and equipment	**—**	**5**	**3**	**8**
Impairment losses on loan receivables recognised in profit or loss	**68**	**8,006**	**—**	**8,074**

6. SEGMENT INFORMATION (CONT'D)

Other segment information (cont'd)

2008

	Petrochemical RMB'000	Railway RMB'000	Unallocated RMB'000	Consolidated RMB'000
Additions to non-current assets (Note)	62,137	272,918	21	335,076
Depreciation and amortisation	4,049	6,296	3	10,348
Impairment losses on loan receivables reversed in profit or loss	(852)	(420)	—	(1,272)

Note: Non-current assets excluding financial instruments and deferred tax assets.

Geographical information

The Group operates principally in the People's Republic of China (including Hong Kong) (the "PRC"), and overseas countries (including the United States of America ("USA") and Singapore).

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

	Revenue from external customers		Non-current assets*	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
PRC	**1,096,109**	856,141	**463,551**	421,099
Overseas countries	**29,326**	10,461	**7,182**	6,462
	1,125,435	866,602	**470,733**	427,561

* Non-current assets excluding financial instruments and deferred tax assets.

Revenue by products and services

The Group's revenue analysed by goods or services are set out in note 5.

6. SEGMENT INFORMATION (CONT'D)

Information about major customers

Revenue from individual customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 RMB'000	2008 RMB'000
Railway - Customer A	317,093	85,359
Petrochemical - Customer B	157,406	85,086

7. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Bank interest income	1,057	4,104
Net foreign exchange gain	—	10,049
Value added tax ("VAT") refund (Note)	39,527	14,159
Others	498	2
	41,082	28,314

Note: The amount represents the VAT refund from local tax bureau in accordance with the preferential policy on VAT of software manufacturers.

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest on bank borrowings wholly repayable within five years	14,646	8,377
Less: Amount capitalised under construction in progress	(70)	—
	14,576	8,377

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.94% (2008: Nil) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	2009 RMB'000	2008 RMB'000
Current tax charge comprises:		
PRC enterprise income tax	**23,453**	20,141
Hong Kong Profits Tax	**463**	2,898
Other jurisdictions	**457**	—
	24,373	23,039
Deferred tax (note 20)		
Current year	**(3,598)**	(1,526)
Attributable to a change in tax rate	**(26)**	(13)
	20,749	21,500

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

PRC enterprise income tax is calculated at 25% of the estimated assessable profit of the Company's subsidiaries located in the PRC as determined in accordance with relevant tax rules and regulations in the PRC for current year. Except for certain subsidiaries of the Company which were enjoyed substantially lower than 25%, tax rate due to relevant incentive policies.

Certain subsidiaries of the Company operating in the PRC are eligible for tax holiday and concession. The tax holiday and concession are in the form of two years tax exemption from the first profit-making year, followed by 50% reduction of the applicable tax rate in the following three years. During the year, Beijing Sindhu Industrial Software Co., Ltd. is under the second year of tax exemption, and followed by a 50% the reduction from 2010 to 2012. Beijing Consen Automation Control Co., Ltd. and Beijing Tri-Control Automation Co., Ltd. are under the second year of 50% tax reduction and Beijing Consen Transportation Technology Co., Ltd. is under the third year of 50% tax reduction.

Beijing Consen Transportation Technology Co., Ltd. ("Beijing Transportation") and Beijing Jiaoda Microunion Technology Co., Ltd. ("Beijing Jiaoda Microunion") are qualified as "New and High Tech Enterprises" and from 2008 to 2010 subject to enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

9. INCOME TAX EXPENSE (CONT'D)

The income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax	**264,515**	190,039
Tax at the PRC income tax rate of 25% (2008: 25%)	**66,129**	47,510
Tax effect of expenses not deductible for tax purpose	**3,166**	10,886
Tax effect of income not taxable for tax purpose	**(11,708)**	(5,439)
Tax effect of tax losses not recognised	**4,601**	2,642
Utilisation of deductible temporary difference previously not recognised	**(1,946)**	—
Effect of different tax rates of subsidiaries	**104**	(1,498)
Deferred tax changes resulting from changes in applicable tax rates	**(26)**	(13)
Effect of tax benefit granted to certain PRC subsidiaries	**(39,571)**	(33,588)
Deferred tax associated with profits of PRC subsidiaries arising from 1 January 2008 (Note)	**—**	1,000
Tax charge for the year	**20,749**	21,500

Note: Under the PRC Tax Law, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% according the relevant tax treaties. During the reporting period, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries generated during the period amounting to RMB228,799,000 (2008: RMB149,874,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. PROFIT FOR THE YEAR

	2009 RMB'000	2008 RMB'000
Profit for the year is arrived at after charging (crediting) the following items:		
Auditors' remuneration	**3,508**	2,727
Depreciation of property, plant and equipment	**7,306**	3,843
Loss on disposal of property, plant and equipment	**8**	—
Release of prepaid lease payment	**584**	430
Amortisation of intangible assets (included in cost of sales)	**5,181**	6,075
Allowance for (reversal of allowance for) bad and doubtful debts (included in administrative expenses)	**8,074**	(1,272)
Staff costs:		
Directors' emoluments (note 11)	**12,568**	8,635
Other staff costs		
– Salaries and other benefits	**86,059**	65,055
– Retirement benefits scheme contributions	**4,117**	3,595
– Share-based payments	**10,006**	20,339
	112,750	97,624
Operating lease rentals in respect of rented premises	**12,553**	7,231
Net foreign exchange loss (gain)	**416**	(10,049)

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	2009				
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Total emoluments RMB'000
Executive directors					
Mr. Xuan Rui Guo	—	607	12	3,524	4,143
Mr. Kuang Jian Ping	—	395	12	3,524	3,931
Mr. Huang Zhi Yong	—	509	12	3,524	4,045
Sub-total	—	1,511	36	10,572	12,119
Independent non-executive directors					
Mr. Wang Tai Wen	132	—	—	—	132
Mr. Tang Min	132	—	—	—	132
Mr. Ng Wing Fai	185	—	—	—	185
Sub-total	449	—	—	—	449
Total	449	1,511	36	10,572	12,568

11. DIRECTORS' EMOLUMENTS (CONT'D)

	2008				
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Performance related incentive payments RMB'000	Total emoluments RMB'000
Executive directors					
Mr. Xuan Rui Guo	—	765	11	1,962	2,738
Mr. Kuang Jian Ping	—	526	11	2,202	2,739
Mr. Huang Zhi Yong	—	544	11	2,183	2,738
Sub-total	—	1,835	33	6,347	8,215
Independent non-executive directors					
Mr. Wang Tai Wen	110	—	—	—	110
Mr. Tang Min	120	—	—	—	120
Mr. Han Ben Yi	10	—	—	—	10
Mr. Ng Wing Fai	180	—	—	—	180
Sub-total	420	—	—	—	420
Total	420	1,835	33	6,347	8,635

The performance related incentive payments of the executive directors are determined by the board and should not be more than 5% of the net profit attributable to owners of the Company for the relevant financial year.

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments in the meantime.

12. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three directors (2008: three) for the year ended 31 December 2009, whose emoluments are disclosed in note 11 above. The emoluments of the remaining two (2008: two) individuals for the year ended 31 December 2009 are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**1,595**	1,634
Contributions to retirement benefits scheme	**12**	65
Performance related incentive payments	**634**	200
Share-based payments	**514**	1,072
	2,755	2,971

Their emoluments were within the following bands:

	Number of employees	
	2009	2008
HK$1,000,001 to HK$1,500,000	**2**	2

13. DIVIDENDS

Dividends recognised as distribution during the year:

	2009 **RMB'000**	2008 RMB'000
2008 final dividend of RMB3.5 cents (2008: 2007 final dividend of RMB2.7 cents) per share	**35,090**	24,865

The final dividend of RMB44,174,000, at RMB4.4 cents per share (2008: RMB32,072,000, at RMB3.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings	**2009** **RMB'000**	2008 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**212,088**	149,177

Number of shares	**2009** **'000 shares**	2008 '000 shares (Note)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**968,065**	900,367
Effect of dilutive potential ordinary shares for share options	**11,017**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**979,082**	900,367

Note: The diluted earnings per share for the year ended 31 December 2008 has not assumed the exercise of share options since as the exercise prices of share options were higher than the average market price for year 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Fixtures and electronic equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2008	4,711	521	—	5,960	10,268	21,460
Additions	33,220	—	1,977	5,904	2,390	43,491
Acquired on acquisition of a subsidiary (note 36)	—	—	—	417	1,303	1,720
At 31 December 2008	37,931	521	1,977	12,281	13,961	66,671
Additions	—	3,334	27,608	9,004	7,086	47,032
Transfers within property, plant and equipment	—	4,439	(4,439)	—	—	—
Disposals	—	—	—	(106)	—	(106)
At 31 December 2009	37,931	8,294	25,146	21,179	21,047	113,597
DEPRECIATION						
At 1 January 2008	927	521	—	1,794	5,713	8,955
Provided for the year	558	—	—	1,555	1,730	3,843
At 31 December 2008	1,485	521	—	3,349	7,443	12,798
Provided for the year	1,207	351	—	3,089	2,659	7,306
Disposals	—	—	—	(98)	—	(98)
At 31 December 2009	2,692	872	—	6,340	10,102	20,006
CARRYING VALUES						
At 31 December 2009	35,239	7,422	25,146	14,839	10,945	93,591
At 31 December 2008	36,446	—	1,977	8,932	6,518	53,873

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	3%
Leasehold improvements	Over the lease terms
Fixtures and electronic equipment	10% - 20%
Motor vehicles	20%

The buildings of the Group are located on land in the PRC under medium-term lease.

The leasehold interests in land are included in property, plant and equipment as the directors consider that the allocations between the land and buildings elements cannot be made reliably.

The Group has pledged land and buildings having a carrying value of approximately RMB34,606,000 (2008: RMB35,623,000) and motor vehicles having a carrying value of Nil (2008: RMB2,915,000) to obtain corporate guarantee from an independent third party for the banking facilities of RMB70,000,000 (2008: RMB80,000,000) granted to the Group.

16. PREPAID LEASE PAYMENTS

Movements in the lease prepayments, which represent land use rights with the lease terms of 40 to 50 years in Mainland China, during the year are analysed as follows:

	2009 RMB'000	2008 RMB'000
CARRYING AMOUNT		
At 1 January	26,106	17,284
Additions	—	9,252
Released to profit or loss	(584)	(430)
At 31 December	25,522	26,106
Analysed for reporting purpose as:		
Current asset (included in other receivables and prepayments)	584	584
Non-current asset	24,938	25,522

As 31 December 2009, the Group has pledged land use right with a carrying value of approximately RMB 8,905,000 (2008: RMB16,912,000) to obtain corporate guarantee from an independent third party for the banking facilities of RMB 70,000,000 (2008: RMB 50,000,000) granted to the Group. The remaining amount of RMB 16,617,000 (2008: RMB 9,194,000) has been pledged to secure the banking facilities of RMB13,874,000 (2008: RMB 30,000,000) as at 31 December 2009.

17. INTANGIBLE ASSETS

	Development costs RMB'000 (Note a)	Licenses RMB'000	Trademarks RMB'000	Backlog orders RMB'000	Patents RMB'000	Total RMB'000
COST						
At 1 January 2008	—	—	—	—	1,000	1,000
Additions	10,240	—	546	—	5,536	16,322
Acquired on acquisition of a subsidiary (note b)	3,177	190,002	61,922	9,190	—	264,291
At 31 December 2008	13,417	190,002	62,468	9,190	6,536	281,613
Additions	5,822	—	—	—	—	5,822
At 31 December 2009	19,239	190,002	62,468	9,190	6,536	287,435
AMORTISATION						
At 1 January 2008	—	—	—	—	150	150
Provided for the year	—	—	—	5,567	508	6,075
At 31 December 2008	—	—	—	5,567	658	6,225
Provided for the year	989	—	—	3,623	569	5,181
At 31 December 2009	989	—	—	9,190	1,227	11,406
CARRYING VALUES						
At 31 December 2009	18,250	190,002	62,468	—	5,309	276,029
At 31 December 2008	13,417	190,002	62,468	3,623	5,878	275,388

Notes:

(a) Development costs are internally generated.

(b) License of RMB190,002,000, trademark of RMB61,922,000, development costs of RMB3,177,000 and backlog orders of RMB9,190,000 were recognised upon the acquisition of a subsidiary during the year ended 31 December 2008.

17. INTANGIBLE ASSETS (CONT'D)

The intangible assets, other than licenses and trademarks which do not have finite period and are stated at cost less impairment, are amortised on straight-line basis based on the estimated useful lives as follows:

Category	Estimated useful lives
Development costs	5 years
Backlog orders	Over the service providing periods
Patents	5-15 years

The trademarks have a legal life of 10 years but are renewable every 10 years at minimal cost and the license has a useful life of 4 years but is renewable every 4 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks and license continuously and have the ability to do so. Various studies including product stability and security studies, market and admission policy trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks and license have no foreseeable limit to the period over which the trademarked products and the licensed business are expected to generate net cash flows for the Group.

As a result, the license and trademarks are considered by the management of the Group as having an indefinite useful life. They will be tested for impairment annually and whenever there are indications that they may be impaired. Particulars of the impairment testing are disclosed in note 19.

18. GOODWILL

	2009 **RMB'000**	2008 RMB'000
At 1 January	**72,778**	—
Transfer from interest in an associate arising from business combination achieved in stages (note 36)	**—**	52,100
Arsing on acquisition of a subsidiary (note 36)	**—**	8,839
Arising on acquisition of additional interest in a subsidiary	**3,397**	11,839
At 31 December	**76,175**	72,778

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill, license and trademarks with indefinite useful lives set out in notes 17 and 18 have been allocated to three individual cash generating units (CGUs), including two subsidiaries engaged in railway segment and one subsidiary engaged in petrochemical sales segment. The carrying amounts of goodwill, license and trademarks as at 31 December 2009 allocated to these units are as follows:

	Goodwill		License and trademarks	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Railway - Beijing Jiaoda Microunion Technology Co., Ltd (Unit A)	**72,778**	72,778	**251,924**	251,924
Petrochemical - Tri-sen Systems Corporation (Unit B)	**—**	—	**546**	546
Railway - Beijing Consen Transportation Technology Company Limited (Unit C)	**3,397**	—	**—**	—
Total	**76,175**	72,778	**252,470**	252,470

During the year ended 31 December 2009, management of the Group determines that there are no impairments of any of its CGUs containing goodwill, license and trademarks with indefinite useful lives.

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

The recoverable amount is determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rates of 17.00% (2008: 16.46%) for Unit A and Unit C, 14.17% (2008: 16.00%) for Unit B, depending on the industries in which the subsidiaries operate. One major assumption of the financial budgets is annual revenue growth rates of 10% (2008:7%) for Unit A and Unit C, 15% (2008: 10%) for Unit B. The cash flows of the respective CGUs beyond the five-year period are extrapolated using a steady 3% (2008: 3%) growth rate. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each CGU to exceed its recoverable amount.

20. DEFERRED TAX ASSETS/LIABILITIES

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior year are as follows:

	Allowance for doubtful debts	Deferred income	Tax losses	Fair value adjustment of intangible assets (note a)	Distributable profits of subsidiary (note9)	Other temporary differences (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	188	—	—	—	—	120	308
Acquisition of a subsidiary (note 36)	1,310	9,448	—	(39,167)	—	300	(28,109)
(Charge) credit to profit or loss	(184)	(90)	637	835	(1,000)	1,328	1,526
Effect of change in tax rate	8	—	—	—	—	5	13
At 31 December 2008	1,322	9,358	637	(38,332)	(1,000)	1,753	(26,262)
(Charge) credit to profit or loss	1,212	(280)	(637)	543	—	2,760	3,598
Effect of change in tax rate	—	—	—	—	—	26	26
At 31 December 2009	2,534	9,078	—	(37,789)	(1,000)	4,539	(22,638)

Notes:

(a) Deferred tax liabilities of fair value adjustment recognised by the Group represented the fair value adjustment on intangible assets arising from the business acquisitions during the year ended 31 December 2008.

(b) Other temporary differences mainly represent the temporary differences arising from the leasehold improvements, unpaid payroll and unexercised share option expenses.

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2009	2008
	RMB'000	RMB'000
Deferred income tax assets	**16,151**	13,070
Deferred income tax liabilities	**(38,789)**	(39,332)
	(22,638)	(26,262)

At 31 December 2009, the Group had unused tax losses of approximately RMB29,060,000 (2008: RMB16,063,000) available to offset against future profits of respective subsidiaries. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams of respective subsidiaries. Included in unrecognised tax losses are losses of RMB23 million (2008: RMB10 million) that may be carried forward indefinitely. The other tax losses will be carried forward for five years from date of their originations, up to year 2014.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 RMB'000	2008 RMB'000
Unlisted equity investment, at cost less impairment	3,373	—

The unlisted equity investment represents equity investments in a private entity established in the USA. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair values cannot be measured reliably.

22. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	300,864	179,965
Work in progress	14,026	8,134
Finished goods	3,708	12,264
	318,598	200,363

For the year ended 31 December 2009, cost of inventories of approximately RMB566,447,000 (2008: RMB494,447,000) is charged to the consolidated statement of comprehensive income.

23. TRADE AND BILLS RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	561,620	386,090
Less: allowance for doubtful debts	(8,348)	(264)
	553,272	385,826
Bills receivable	37,183	18,558
	590,455	404,384

Denominated in the currency other than the functional currency of relevant group entities:

	2009 RMB'000	2008 RMB'000
United States Dollar ("USD")	73,134	786
Japanese Yen ("JPY")	1	3,686
European Dollar ("EUR")	20,292	5,797
Singapore Dollar ("SGD")	595	—
	94,022	10,269

23. TRADE AND BILLS RECEIVABLES (CONT'D)

At 31 December 2009, included in trade and bills receivables are retention receivable of RMB34,657,000 (2008: RMB26,645,000). Retention receivables are interest-free and recoverable at end of the retention period of individual contract which is usually from 12 months to 18 months and within the Group's normal operating cycle. As at 31 December 2009, retention receivables with a carrying amount of RMB31,084,000 (2008: RMB10,209,000) are expected to be collected after 12 months from the reporting date.

The normal credit period except for the retention receivables granted to the Group's customer is 90 to 365 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the reporting dates:

	2009 RMB'000	2008 RMB'000
0 - 90 days	**305,681**	233,761
91 - 180 days	**128,620**	64,471
181 - 365 days	**88,574**	79,382
1 - 2 years	**63,614**	25,507
2 - 3 years	**3,966**	1,263
	590,455	404,384

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The creditability of customers is reviewed regularly. The Group maintain strict control over the creditability of customers and its outstanding receivables.

As at 31 December 2009, trade receivables with a carrying amount of RMB67,580,000 (2008: RMB26,770,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment 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 or other credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2009 RMB'000	2008 RMB'000
1-2 years	**63,614**	25,507
2-3 years	**3,966**	1,263
Total	**67,580**	26,770

23. TRADE AND BILLS RECEIVABLES (CONT'D)

Movement in the allowance for bad and doubtful debts

	2009 RMB'000	2008 RMB'000
At 1 January	264	1,567
Impairment losses recognised on receivables	8,147	—
Reversal	(63)	(1,303)
At 31 December	8,348	264

All the trade and other receivables are assessed not to be impaired individually and therefore, they are subsequently assessed for impairment on a collective basis. The Group does not hold any collateral over these balances.

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2009 RMB'000	2008 RMB'000
Constructions in progress at the end of reporting period		
Contract costs incurred plus recognised profits less recognised losses	16,808	—
Less: Progress billings	(13,656)	—
	3,152	—

25. AMOUNTS DUE FROM SHAREHOLDERS OF SUBSIDIARIES

The amounts due from shareholders of subsidiaries are unsecured and interest free. The amount was repaid during the year.

26. BANK DEPOSITS UNDER CONDITIONS

	2009 RMB'000	2008 RMB'000
Pledged bank deposits	86,538	83,229

The pledged bank deposits have been pledged to secure short-term banking facilities granted to the Group. The deposits carried effective interest of 0.01% to 3.33% for the year (2008: 0.36% to 3.78%) per annum and are maturity within one year.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group, and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing deposit interest rate at 0.01% to 1.35% (2008: 0.01% to 0.82%) per annum.

Denominated in the currency other than the functional currency of relevant group entities:

	2009 RMB'000	2008 RMB'000
USD	**28,004**	87,713
JPY	**33**	5
EUR	**623**	538
Hong Kong Dollar ("HKD")	**290**	195
	28,950	88,451

28. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
0 - 90 days	**179,099**	32,914
91 - 180 days	**9,824**	2,453
181 - 365 days	**8,169**	10,410
1 - 2 years	**1,058**	36,066
Over 2 years	**6,505**	2,570
	204,655	84,413

The average credit period on purchases of is 90 to 180 days. The Group has financial risk management policies in order to ensure that all payables are paid within the credit timeframe.

Denominated in the currency other than the functional currency of relevant Group's entities:

	2009 RMB'000	2008 RMB'000
USD	**67,234**	4,685
JPY	**—**	3,820
EUR	**821**	—
SGD	**68**	—
	68,123	8,505

29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2009 RMB'000	2008 RMB'000
Advance from customers	**48,509**	41,700
Accrued payroll and welfare	**27,535**	13,699
Other payables	**53,061**	52,402
	129,105	107,801

30. BORROWINGS

	2009 RMB'000	2008 RMB'000
Bank loans:		
Secured	**208,750**	194,440
Unsecured	**25,144**	—
	233,894	194,440
Carrying amount repayable:		
Within one year	**194,875**	194,440
More than two years but within three years	**4,684**	—
More than four years but within five years	**34,335**	—
	233,894	194,440
Less: Amounts due within one year shown under current liabilities	**(194,875)**	(194,440)
	39,019	—

Denominated in the currency other than the functional currency of relevant group entities:

	2009 RMB'000	2008 RMB'000
USD	**54,630**	47,578
EUR	**1,241**	—
	55,871	47,578

30. BORROWINGS (CONT'D)

The borrowings were arranged at variable interest rate and the ranges of effective interest rates on the Group's borrowings were as follows:

	2009	2008
Effective interest rate per annum	**2.16% to 6.69%**	4.50% to 7.47%

At 31 December 2009, bank borrowings of RMB 138,750,000 (2008: RMB 144,440,000) was secured by pledged bank deposits of RMB 22,059,000 (2008: RMB 22,076,000), prepaid lease payments with a carrying value of approximately RMB 16,617,000 (2008: RMB 9,194,000), floating charge on trade receivables, bills receivables and other receivables of RMB 14,934,000 (2008: Nil), and inventories of the Company's subsidiary, i.e., Tri-Control Automation Company Limited, which are set out in note 16, note 23 and note 26 respectively.

The remaining secured borrowings amounting to RMB 70,000,000 (2008: RMB50,000,000) was guaranteed by an independent third party at 31 December 2009. During the year, the Group paid approximately RMB 1,759,000 (2008: RMB1,096,000) to the independent third party for the corporate guarantees provided. Details of the securities provided by the Group to the independent third party for the guarantees provided and other pledge of asset are set out in note 15 and note 16 respectively.

31. SHARE CAPITAL

	2009		2008	
	Number of shares	**Amount**	Number of shares	Amount
	'000 shares	**HK'000**	'000 shares	HK'000
Authorised:				
Ordinary shares of HK$0.01	**3,000,000**	**30,000**	3,000,000	30,000
Issued and fully paid:				
At 1 January	**909,256**	**9,093**	830,000	8,300
Issue of new shares through placement (Note a)	**86,000**	**860**	83,000	830
Share repurchased and cancelled (Note b)	**(84)**	**(1)**	(3,744)	(37)
Issue of shares on exercise of share options (Note c)	**11,540**	**115**	—	—
At 31 December	**1,006,712**	**10,067**	909,256	9,093

	2009	2008
	RMB'000	RMB'000
Shown in the consolidated statementof financial position	**9,376**	8,516

31. SHARE CAPITAL (CONT'D)

Notes:

(a) Pursuant to a placing and subscription agreement dated 5 May 2009, 126,000,000 shares of HK$0.01 each in the share capital then held by Consen Group Holding Inc. was placed on 8 May 2009 at placing price of HK$2.30 per share and subscription of new shares of 86,000,000 by Consen Group Holding Inc. (the "subscription") at the subscription price of HK$2.30 per share, ranking pari passu in all respects among themselves and with the existing issued share of HK$0.01 each in the share capital of the Company.

Pursuant to a placing and subscription agreement dated 21 February 2008, 83,000,000 shares of HK$0.01 each in the share capital then held by Consen Group Holding Inc. was placed on 25 February 2008 at placing price of HK$2.84 per share and subscription of new shares of 83,000,000 by Consen Group Holding Inc. (the "subscription") at the subscription price of HK$2.84 per share, ranking pari passu in all respects among themselves and with the existing issued share of HK$0.01 each in the share capital of the Company.

(b) On 12 January 2009, the Company repurchased certain of its own shares of 84,000 shares through the Stock Exchange at an aggregate consideration of HK$129,000 (equivalent to RMB114,000). All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK$840 (equivalent to RMB1,000) was charged in the share capital and the premium paid on repurchase of HK$128,000 (equivalent to RMB113,000) was charged against share premium in accordance with the Cayman Islands Companies Act.

Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration Paid
		Highest	Lowest	
		HK$	HK$	HK$
January 2009	84,000	1.57	1.51	128,960

In 2008, the Company repurchased certain of its own shares of 3,744,000 shares through the Stock Exchange at an aggregate consideration of HK$4,617,000 (equivalent to RMB4,059,000). All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK$37,440 (equivalent to RMB33,000) was charged in the share capital and the premium paid on repurchase of HK$4,579,880 (equivalent to RMB4,026,000) was charged against share premium in accordance with the Cayman Islands Companies Act.

(c) During the year, options to subscribe for 11,540,000 shares in the Company at HK$2.27 per share were exercised. The weighted average closing prices of the Company's shares quoted on the Stock Exchange immediately before the exercise date was HK$4.5.

Other than disclosed above, during the twelve month period ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

32. RESERVES

(a) Other reserve

The Group's other reserve represents amounts arising on the Group Reorganisation.

(b) Statutory surplus reserves

As stipulated by the relevant PRC laws and regulations, before distribution of the net profit each year, the subsidiaries as wholly-owned foreign enterprise with limited liability which have been established in the PRC shall set aside 10% of their net profit to the statutory surplus reserves. The statutory surplus reserves can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(c) Share option reserve

The Group's share option reserve represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

33. DEFERRED INCOME

	2009 RMB'000	2008 RMB'000
At 1 January	62,385	—
Acquisition of a subsidiary (note 36)	—	62,984
Addition	1,624	2,255
Released to profit or loss	(3,488)	(2,854)
At 31 December	60,521	62,385

The Company's subsidiary, Beijing Jiaoda Microunion has entered into arrangement to provide maintenance and operational services for the systems installed of up to ten years and it recognises revenue when the services are provided using the percentage of completion method. Service fees received in advance are recorded as deferred income and recognised as service fee income when the services are rendered.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30 and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on the results of the review of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**1,235,569**	805,568
Available-for-sale financial assets	**3,373**	—
Financial liabilities		
Amortised cost	**454,273**	303,236

b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivable, other receivables, amounts due from shareholders of subsidiaries, bank deposits under conditions, bank balances and cash, trade and bills payables, other payables and borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk. The Group's overall financial risk management objectives and policies remain unchanged from prior year. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debts at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The Directors do not expect any counterparty to fail to meet its obligations. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group's trade receivables are mainly concentrated in a few large state-owned enterprises.

35. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (cont'd)

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases which expose the Group to foreign currency risk.

The carrying amounts of the Groups' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
USD	**121,864**	52,263	**101,173**	88,499
HKD	**—**	—	**290**	195
JPY	**—**	3,820	**34**	3,691
EUR	**2,062**	—	**20,915**	6,335
SGD	**68**	—	**595**	—

The Group currently does not have a formal foreign currency hedging policy. However the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure.

The following table details the Group's sensitivity to a reasonably possible change of 5% (2008: 5%) in exchange rate of each foreign currency against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2008: 5%) change in foreign currency rates.

	2009 RMB'000	2008 RMB'000
Increase (decrease) in profit post-tax for the year		
– if RMB weakens against foreign currencies	**(67)**	1,791
– if RMB strengthens against foreign currencies	**67**	(1,791)

35. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (cont'd)

Interest rate risk

The Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 30 for details of these borrowings). It is the Group policy to keep its borrowings at floating rate of interests and therefore the related fair value interest rate risk is considered limited.

The Group's sensitivity to cash flow interest rate risk is prepared assuming the amount of variable-rate financial instruments at the end of the reporting period was outstanding for the whole year. A 100 (2008: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates as a result of the gradual increase in interest rate during the current year.

	2009	2008
Reasonably possible change in interest rate	**100 basis points**	100 basis points

	2009 **RMB'000**	2008 RMB'000
Increase (decrease) in profit post-tax for the year		
as a result of increase in interest rate	**(2,057)**	(1,673)
as a result of decrease in interest rate	**2,057**	1,673

The sensitivity analysis in interest rate does not affect other components of equity.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2009, the Group has available unutilised banking facilities of approximately RMB415,981,000 (2008: RMB119,528,000).

35. FINANCIAL INSTRUMENTS (CONT'D)

b) Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as certain financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For financial assets, the tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. For financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

At 31 December 2009	Weighted average effective interest rate %	Within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	2 years to 3 years RMB'000	4 years to 5 year RMB'000	Undated RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	—	82,418	92,257	29,981	—	—	—	—	204,655	204,655
Borrowings	6.67	94,030	86,501	25,335	—	5,798	42,690	—	254,354	233,894
Other payables	—	7,539	2,188	5,997	—	—	—	—	15,724	15,724
		183,987	180,945	61,312	—	5,798	42,690	—	474,733	454,273
Trade and bills receivables	—	485,795	74,902	4,853	31,084	—	—	—	596,634	596,634
Other receivables	—	14,092	1,573	184	—	—	—	—	15,849	15,849
Bank deposits under conditions	1.76	1,387	9,071	77,207	—	—	—	—	87,665	86,538
Bank balances and cash	0.18	532,096	—	4,545	—	—	—	—	536,641	536,598
Available-for-sale financial assets	—	—	—	—	—	—	—	3,373	3,373	3,373
		1,058,992	85,546	86,789	5,462	—	—	3,373	1,240,163	1,238,942

At 31 December 2008	Weighted average effective interest rate %	Within 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 years to 2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and bills payables	—	43,524	28,598	12,291	—	84,413	84,413
Borrowings	5.82	70,066	51,717	79,115	—	200,898	194,440
Other payables	—	23,700	683	—	—	24,383	24,383
		137,290	80,998	91,406	—	309,694	303,236
Trade and bills receivables	—	148,548	146,655	98,972	10,209	404,384	404,384
Other receivables	—	5,071	886	530	—	6,487	6,487
Amounts due from minority shareholders	—	2,550	—	—	—	2,550	2,550
Bank deposits under conditions	2.80	31,145	10,125	43,081	—	84,351	83,229
Bank balances and cash	0.20	308,952	—	—	—	308,952	308,918
		496,266	157,666	142,583	10,209	806,724	805,568

35. FINANCIAL INSTRUMENTS (CONT'D)

c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. ACQUISITONS OF A SUBSIDIARY

The Group acquired 76.70% equity interest in Beijing Jiaoda Microunion via (i) the acquisitions on 10 March 2008 of an aggregate of 100% interest in each of Beijing Liboyuan Investment Management Company Limited and Beijing Hengtong Faugda New Materials and Technology Company Limited which are in substance, to acquire their respective 28.47% and 18.50% effective interests in Beijing Jiaoda Microunion for a total consideration of RMB192,137,500 ("First Acquisition") while during the First Acquisition the Group acquired cash and cash equivalents accounting to RMB6,180,146; (ii) the acquisition on 11 June 2008 of the 11.04% equity interest in Beijing Jiaoda Microunion by Beijing Hengtong at a consideration of RMB41,323,500 ("Second Acquisition"); and (iii) the acquisition on 8 August 2008 of the 18.69% equity interest in Beijing Jiaoda Microunion by Beijing Hengtong at a consideration of RMB70,087,500 ("Third Acquisition"). The 46.97% effective interests acquired through the First Acquisition were accounted as investment in associate under equity method. The Group obtained control upon completion of the Second Acquisition and the transactions had been accounted for in accordance with the accounting policy as disclosed in note 3. The Group's effective equity interest in Beijing Jiaoda Microunion has been increased to 76.70% upon completion of the Third Acquisition.

36. ACQUISITONS OF A SUBSIDIARY (CONT'D)

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

	Carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Property, plant and equipment	1,720	—	1,720
Deferred tax assets	11,058	—	11,058
Intangible assets – license	—	190,002	190,002
– trademark	—	61,922	61,922
– backlog orders	—	9,190	9,190
– development cost	3,177		3,177
Inventory	95,326	—	95,326
Trade receivables	79,905	—	79,905
Other receivables and prepayments	14,084	—	14,084
Amount due from Minority shareholders	2,550	—	2,550
Cash and cash equivalent	96,056	—	96,056
Trade payables	(62,220)	—	(62,220)
Other payables, deposits received and accruals	(93,711)	—	(93,711)
Deferred tax liabilities	—	(39,167)	(39,167)
Income tax payable	(12,664)	—	(12,664)
Deferred income	(62,984)	—	(62,984)
	72,297	221,947	294,244
Preliminary interest held by the Group as an associate			(138,206)
Minority interest			(123,553)
Goodwill arising on acquisition			8,839
Total consideration			41,324
Net cash outflow arising on acquisition:			
Cash consideration paid			(41,324)
Cash and cash equivalents acquired			96,056
			54,732

The fair values of the intangible assets are determined based on professional valuation prepared by an independent firm of professional valuers in Hong Kong.

Beijing Jiaoda Microunion acquired mentioned above contributed approximately RMB236,944,000 to the Group's revenue and contributed a profit of approximately RMB71,496,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

36. ACQUISITONS OF A SUBSIDIARY (CONT'D)

If the above acquisitions have been completed on 1 January 2008, the revenue of the Group would have been RMB920,910,000 and Group's profit for the year would have been RMB170,743,000. The pro forma information disclosed above is only for illustrative purpose and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

Goodwill of RMB52,100,000 generated from First Acquisition were transferred to goodwill upon the completion of Second Acquisition.

37. OPERATING LEASES

The Group as lessee

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

	2009 RMB'000	2008 RMB'000
Within one year	14,902	6,808
In the second to fifth year inclusive	14,809	4,025
	29,711	10,833

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

38. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– in respect of acquisition of leasehold land and building	13,084	—
– in respect of establishment of jointly controlled company	20,484	—
– in respect of establishment of associate company	80,000	—
	113,568	—

39. SHARE-BASED PAYMENT

Equity-settled share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 16 June 2007 for the primary purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the following participants: (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group; (iii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives of the Company or substantial shareholders; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of substantial shareholders. The Scheme will remain valid for a period of ten years commencing on 16 June 2007.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,408,000 (2008: 38,948,000), representing 2.72% (2008: 4.28%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

An amount of HK$1 is payable by eligible employee to the Company on acceptance of the option as consideration for the grant. Options may be excerised at any time from 12 months to the fifth anniversary of the date of grant. The options are exercisable in three tranches at the first, second and third anniversary from date of grant respectively, each with one third of the total options granted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

39. SHARE-BASED PAYMENT (CONT'D)

Equity-settled share option scheme (cont'd)

Details of specific categories of options are as follows:

Option series	Share option granted	Date of grant	Exercise period	Exercise price
				HK$
2007A	35,948,000	31/10/2007	31/10/2008 - 30/10/2012	2.95
2007B	35,948,000	20/12/2007	31/10/2008 - 30/10/2012	2.27
2007C	2,000,000	20/12/2007	20/12/2008 - 30/12/2012	2.27
2008A	1,000,000	03/07/2008	31/10/2008 - 30/10/2012	2.26

The options (2007A) have been replaced by the grant of 2007(B) during the year ended 31 December 2007. The incremental fair value were expensed over the remaining vesting period of which RMB1,441,000 (2008: RMB2,892,000) was expensed in 2009.

On 3 July 2008, option (2008A) was granted to an eligible employee with the exercise price at HK$2.26. The estimated fair values of the options are approximately HK$700,000.

These fair values were calculated using the Binomial Model. The Company used the inputs below to measure the fair value of the above options.

Option series	2008A
Stock Price at grant date	**HK$2.23**
Exercise price	**HK$2.26**
Expected volatility	**45.3%**
Expected life	**4.33 years**
Risk-free rate	**3.3%**
Expected dividend yield	**1.2%**

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected volatility for 2008A was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavior considerations.

39. SHARE-BASED PAYMENT (CONT'D)

Equity-settled share option scheme (cont'd)

Details of the share options outstanding at 31 December 2009 and 2008 are as follows:

	Outstanding at 31 December 2008	Reclassified during the year	Exercised during the year (note)	**Outstanding at 31 December 2009**
Key management	13,800,000	200,000	(4,368,000)	**9,632,000**
Other employees	25,148,000	(200,000)	(7,172,000)	**17,776,000**
	38,948,000	—	(11,540,000)	**27,408,000**
Exercisable at the end of the year				**14,844,000**

	Outstanding at 1 January 2008	Reclassified during the year	Granted during the year	Outstanding at 31 December 2008
Key management	13,000,000	(200,000)	1,000,000	13,800,000
Other employees	24,948,000	200,000	—	25,148,000
	37,948,000	—	1,000,000	38,948,000
Exercisable at the end of the year				13,436,000

Note:

The weighted average market price at the dates of exercise for the year is HK$4.5.

The Group recongised the total expense of RMB10,006,000 (2008: RMB20,339,000) for the year ended 31 December 2009 in relation to share options granted by the Company.

40. RETIREMENT BENEFITS SCHEME

The Company's subsidiaries in the PRC, in accordance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. In addition, the Group participate in the Mandatory Provident Fund Scheme for its employees in Hong Kong. The Group and its employees in Hong Kong contribute 5% of the Hong Kong employees' monthly salary to the scheme. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss of RMB4,153,000 (2008: RMB3,628,000) represented contributions paid or payable to these schemes by the Group in respect of respective reporting period.

41. RELATED PARTY TRANSACTIONS

On 21 May 2009, Beijing Consen Automation Control Co., Ltd, a wholly owned subsidiary of the Company, acquired additional 5% equity interest in Beijing Transportation at a consideration of RMB5,100,000 from Mr. Yang Hong Yan, a director and shareholder of Beijing Transportation. Upon completion of the acquisition, Beijing Transportation became a wholly owned subsidiary of the Company.

The remuneration of key management personnel during the year was as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other benefits	**9,282**	8,776
Retirement benefit scheme contributions	**149**	156
Share-based payments	**4,294**	7,207
	13,725	16,139

42. PARTICULAR OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2009 %	2008 %	Principal activities
Tricon International Group Inc. ("Tricon International")	BVI	Ordinary shares US$1	100	100	Investment holding
Trisen International Limited	BVI	Ordinary shares US$5,000	100	—	Investment holding
Inovex Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of engineering services in overseas Markets
Tri-sen Systems Corporation	USA	Ordinary shares US$1	100	100	Business development and provision of turbomachinery controls to the process industries
日本イノベックス株式会社 Inovex Japan Corporation	Japan	Ordinary shares JPY10,000,000	100	—	Business development and provision of control equipment
Trisen Asia Control Pte. Ltd	Singapore	Ordinary shares S$1,000,000	60	—	Distribution,training and engineering of instrumentation and control products
Consen Automation (Singapore) Pte. Ltd. ("Singapore Consen")	Singapore	Ordinary shares S$1,000,000	100	100	Overseas business development and provision of engineering services
北京康吉森自動化設備技術有限責任公司* Beijing Consen Automation Control Co., Ltd. ("Beijing Consen")	PRC	Registered capital RMB230,000,000	100	100	Provision of systems design and development, trading of equipment and maintenance services of safety and critical control systems
北京康吉森交通技術有限公司* Beijing Consen Transportation Technology Company Ltd. ("Beijing Transportation")	PRC	Registered capital RMB20,000,000	100	95	Design, development and sales of railway interlocking system

42. PARTICULAR OF SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2009 %	2008 %	Principal activities
北京創康自動化工程有限公司 * Beijing Tri-Control Automation Co., Ltd. ("Beijing Tri-Control")	PRC	Registered capital US$1,000,000	100	100	Provision of systems design and development, trading of equipment and engineering and maintenance services of safety and critical control systems
北京天竺興業軟件技術有限公司 * Beijing Sindhu Industrial Software Company Ltd. ("Beijing Software")	PRC	Registered capital US$20,000,000	100	100	Research and development as well as software programming and licensing
北京交大微聯科技有限公司 * Beijing Jiaoda Microunion Technology Company Limited (" Beijing Jiaoda Microunion")	PRC	Registered capital RMB100,000,000	76.7	76.7	Design, development and sales of railway interlocking system
北京力博遠投資管理有限公司 * Beijing Liboyuan Investment Management Company Limited ("Liboyuan")	PRC	Registered capital RMB10,000,000	100	100	Investment holding
北京恒通方大新材料技術有限公司 * Beijing Hengtong Fangda New Materials and Technology Company Limited ("Hengtong Fangda")	PRC	Registered capital RMB10,000,000	100	100	Design, development and sales of construction material for railway and highroad, as well as technology service
北京康吉森油氣過程控制設備有限公司 * Beijing Consen oil and gas process control Company Limited ("Consen Oil and Gas")	PRC	Registered capital RMB20,000,000	100	100	Trading of equipment of safety and critical control systems as well as technology service

42. PARTICULAR OF SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2009	2008	Principal activities
			%	%	
北京恒優聯科技有限公司 * Beijing Heng Youlian Technology Company Limited ("Heng Youlian")	PRC	Registered capital RMB20,000,000	100	100	Imports and exports of goods and technology as well as an agent of imports and exports
北京康吉森過程控制技術有限公司 * Beijing Consen Process Control Technology Company Limited ("Consen Process Control")	PRC	Registered capital RMB20,000,000	100	—	Development and trading of prochemical automation control system
北京中自化物資裝備技術有限公司 * Beijing CAG Material & Equipment Technology Co. Ltd	PRC	Registered capital RMB30,000,000	100	—	Trading of equipment of safety and critical CAG control systems
北京康吉森儀器儀表有限公司 * Beijing Consen Instrument Company Limited	PRC	Registered capital RMB1,000,000	100	—	Development and trading of instrument Company Limited
Tri-Control Automation Company Limited ("Tri-Control")	Hong Kong	Ordinary shares HKD10,000,000	100	100	Trading of automation products
Consen International (Hong Kong) Ltd ("Consen International")	Hong Kong	Ordinary shares HK$1	100	100	Investment holding

* These subsidiaries are registered as wholly foreign-owned enterprise under PRC law.

None of the subsidiaries had issued any debts securities at the end of the year.

43. EVENTS AFTER THE REPORTING PERIOD

(a) On 14 January 2010, 464,000 options were exercised at an exercise price of HK$2.27. All subscription monies in full in respect of exercise of the said options had been received by the Company.

(b) On 27 January 2010, an associate company, Wuzhong Instrument Co., Ltd was established by the Group. The total registered capital is RMB320,000,000, among which RMB80,000,000 are from the Group, holding 25% equity interest.

RESULTS

	For the year ended 31 December					
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Revenue	165,370	264,356	289,037	403,357	866,602	**1,125,435**
Profit before tax	38,594	55,585	74,152	99,736	190,039	**264,515**
Income tax (expense) credit	(3,493)	(9,871)	(5,290)	386	(21,500)	**(20,749)**
Profit attributable to equity holder of the parent	35,291	45,330	68,471	99,891	149,177	**212,088**

ASSETS AND LIABILITIES

	At 31 December					
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Non-current assets	11,720	9,539	30,159	46,776	440,631	**490,257**
Current assets	144,866	201,984	254,648	636,319	1,047,656	**1,588,636**
Current liabilities	(83,043)	(95,198)	(138,170)	(119,795)	(396,714)	**(538.305)**
Net current assets	61,823	106,786	116,478	516,524	650,942	**1,050,331**
Total assets less current liabilities	73,543	116,325	146,637	563,300	1,091,573	**1,540,588**

Note:

(1) The Company was incorporated in the Cayman Islands on 25 July 2006 and became the holding company of the Group on 17 June 2007 as a result of the Group Reorganisation.

(2) Certain figures in 2008 have been reclassified to conform with this year's presentation.

DIRECTORS

Executive Directors:

Mr. Xuan Rui Guo (Chairman)
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

Independent Non-executive Directors:

Mr. Tang Min
Mr. Wang Tai Wen
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

Mr. Ng Wing Fai (Chairman)
Mr. Tang Min
Mr. Wang Tai Wen

REMUNERATION COMMITTEE

Mr. Wang Tai Wen (Chairman)
Mr. Tang Min
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong

NOMINATION COMMITTEE

Mr. Tang Min (Chairman)
Mr. Wang Tai Wen
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

SENIOR MANAGEMENT

Mr. Yang Hong Yan
Mr. Cui Da Chao
Mr. Wang Wen Hui
Mr. Li Hai Tao
Mr. Duan Min
Mr. Ji Jun
Mr. Zhou Zheng Qiang
Mr. Zhang Wei
Mr. William Erik Barkovitz
Mr. Tim Pieszchala
Mr. Chow Chiu Chi

STOCK CODE

Hong Kong Stock Exchange 569

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL BANKERS

Hong Kong:
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commerical Bank Ltd.

PRC:
Agricultural Bank of China
Bank of Beijing
Bank of Communications
Shanghai Pudong Development Bank
Shenzhen Development Bank Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Woo, Kwan, Lee & Lo

As to Cayman Islands law
Conyers Dill & Pearman

As to PRC law
Commerce & Finance Law Offices