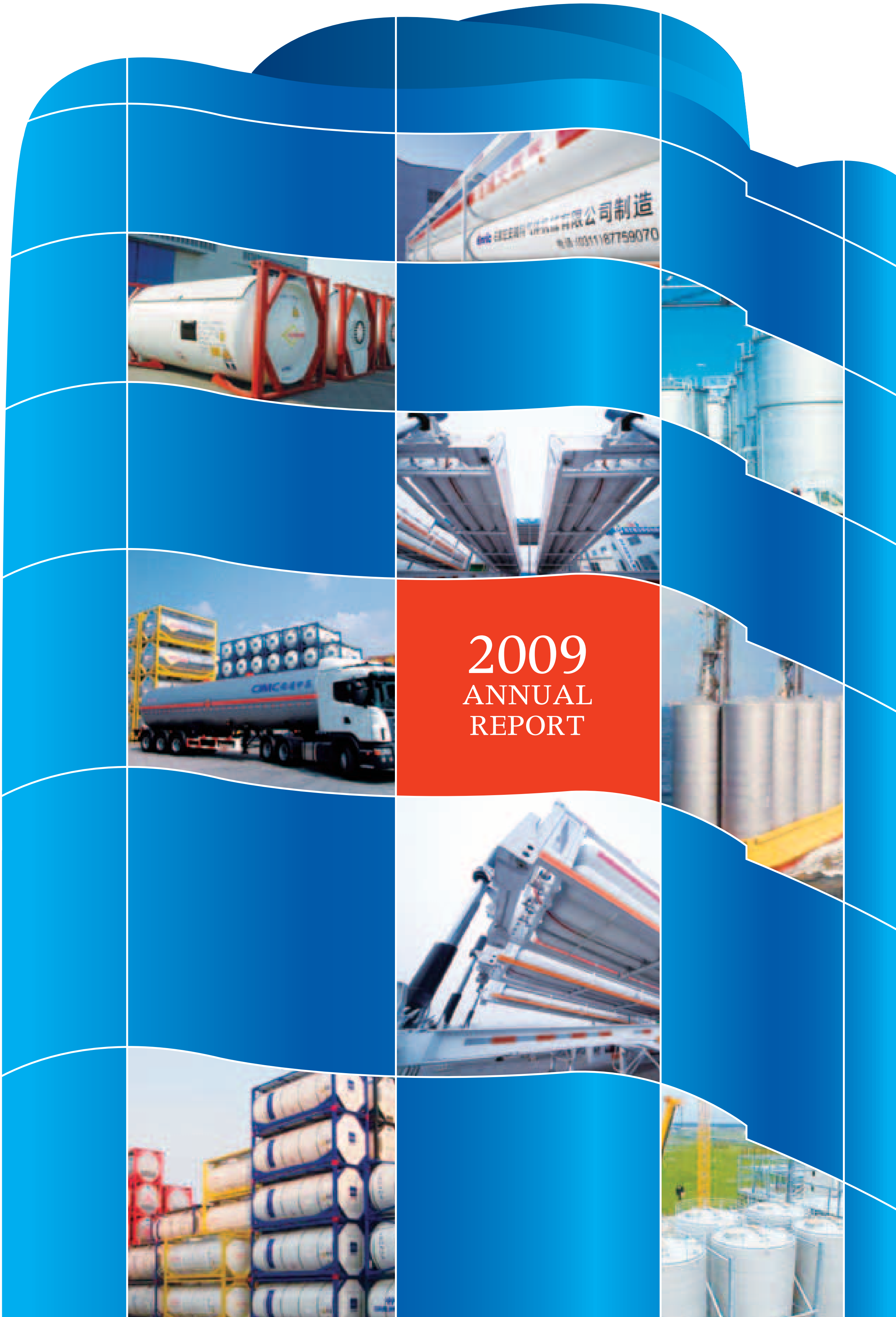
CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3899



2009 ANNUAL REPORT

To be a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries.

Contents

Chairman's Statement

Leverage on Synergies

We are ready to capitalise on the opportunities and synergies brought by the acquisitions for new level of excellence.

It is, once again, that time of the year when we present to you what we have experienced and accomplished in the previous financial year, and what we might expect this year. 2009 is certainly a challenging and eventful year.

Last year, I revealed our plan to acquire from our controlling shareholder, CIMC, certain storage and transportation equipment companies, which include CIMC Sanctum in the energy industry, Nantong CIMC in the chemical industry, and the Holvrieka Group in the liquid food industry, in addition, from certain third parties a manufacturer specialised in LPG transportation equipment, Hongtu.

I am delighted to report to you that these acquisitions have been well accomplished.

As a result, we are transformed from primarily catering to the storage and transportation equipment for the energy market to a business that spans across energy, chemical, and liquid food storage and transportation equipment markets, boosting our net asset value by close to three times and expanding our operation base from China to Belgium, Denmark and the Netherlands and increasing our production bases from three to ten.

We are pleased to present to you our full year results for 2009, consolidating the accounts of our original businesses with all the newly acquired businesses. The comparative figures for 2008 have been restated as if the current combined entity had been in existence throughout the years ended 31 December 2008 and 2009. To better describe and identify our post-acquisition business structure, our businesses are re-categorised into three segments, namely, energy, chemical and liquid food.

Results of the Year

The year 2009 was difficult for many enterprises over the world as the global economy was reeling from the shock of the financial crisis. We were also hit hard by the crisis and faced with unprecedented challenges.

Net profit attributable to equity shareholders for the year fell to RMB199,731,000 from RMB552,313,000 for 2008, representing a decrease of 63.8%. Basic and diluted earnings per share were both RMB0.107 (2008: both RMB0.295).

Turnover decreased by 47.2% to RMB3,057,466,000 during the year (2008: RMB5,785,542,000). All of the three business segments were adversely affected by the global economic downturn, among which the energy segment was able to hold its ground with turnover of RMB1,811,512,000 which represents a fall of 8.9% from RMB1,989,155,000 for the previous year. The chemical segment was hardest hit by the global financial crisis and turnover was down by 74.6% to RMB651,816,000 (2008: RMB2,562,269,000) as a result of the dwindling demand for tank containers caused by the lower demand for chemicals brought on the global economic downturn. The liquid food segment saw a decrease in turnover of 51.9% to RMB594,138,000 (2008: RMB1,234,118,000) due to scaling back in capital expenditure by breweries in wake of the global economic downturn and the related credit crunch.

The global economic downturn has dealt a severe blow to both the chemical and liquid food segments which mainly accounts for fall in the profit in 2009. The fall in demand for our products has put pressure on the price of our products which has an adverse effect on our gross profit margin. Nevertheless, the proactive marketing strategies that we adopted, our on-going focus on cost control and our strong asset base all helped us to ride out the worst of the global financial crisis. As the global economy slowly recovers, the proactive marketing strategies in place helped to boost our turnover in the second half of 2009. Our on-going focus on cost control has also played a role in stabilising our gross profit margin.

Future Plan and Strategies

With the enlarged asset base and operational size after the completion of the acquisitions I mentioned just before, we are now better positioned to grasp the business opportunities ahead. This year is the prime time to gradually capitalise and benefit from the synergy within our subsidiaries.

Operational efficiency and effectiveness are expected to enhance through the integration and re-allocation of operational functions and resources. We will implement stringent cost and inventory control measures in the course of production by ongoing operational economies of scale through coordinating the procurement of raw materials.

At the same time, we set to drive income and earnings via proactive sales and marketing strategies. The expanded sales network after the acquisitions provides good cross-selling opportunities among operating arms.

On the product front, we will put extra emphasis on the sale and research and development ("R&D") of high-tech products, such as light-weight composite cylinders and 10,000 cbm LNG storage tanks as new revenue drivers. Existing products will be refined and enhanced to further differentiate ourselves and capture changing market needs. We do not only offer specialised equipment to the industries, but also project engineering services. We aim to strengthen our capability at EPC (engineering, procurement and construction supervision) which we believe can optimise our business portfolio and create an unparalleled competitive edge over other industry players.

Advancement of R&D capacity and production technologies is what we always adhere to. The acquisitions have intensified our pool of R&D talents and resources. To reinforce our pioneering position, we will strive to facilitate the exchange of Chinese and European technological knowhow among operating arms and explore potential partnership with renowned technology and research institutes.

Chairman's Statement

Eyeing on the stimulus policy on domestic consumption and favourable supporting policies for the clean energy and chemical industries of the PRC government, we will remain China as the focus market of our energy and chemical products. We will also continue to penetrate these products to overseas emerging markets, especially South-east Asia, Central Asia and South America in anticipation of the steady recovery from the global economic downturn and their relatively higher economic growth rate and growth potential. While the liquid food segment mainly sources its revenue from Europe currently, we are planning to expand its revenue source in Asia.

Although certain signs of recovery from the global financial turmoil have surfaced in the second half of 2009, we remain cautious of the uncertainties exist to various extent in the world economy this year. In longer term, it is optimistic.

We strive to be a world-leading equipment manufacturer and provider of related project engineering services in the energy, chemical and liquid food industries. When the right time comes, further acquisitions and ongoing organic expansion will deliver excellent growth opportunity for enhancing shareholders' value in the foreseeable future.

Appreciation

I would like to thank all our employees for their hard work, dedication and inputs which make this remarkable year, and thank our customers and shareholders for their belief in our endeavours and support of us.

In particular, I am most thankful for Messrs. Wu Fapei, Shi Caixing, Qin Gang, Yang Yu and Shou Binan, who resigned as Directors in 2009, for their valuable contribution to CIMC Enric.

I look forward to continuing working with all of you as we strive to bring CIMC Enric to new heights of excellence.

Zhao Qingsheng
Chairman

Hong Kong, 19 March 2010

Financial Summary

For the year ended 31 December

	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	**3,057,466**	5,785,542	940,991	769,952	513,014
Profit from operations	**274,887**	713,258	135,887	117,290	78,402
Main Board listing expenses	**–**	–	–	(6,822)	–
Finance costs	**(40,242)**	(57,136)	(11,716)	(8,677)	(7,814)
Profit before taxation	**234,645**	656,122	124,171	101,791	70,588
Income tax	**(34,124)**	(103,517)	(5,295)	(5,287)	(1,882)
Profit for the year	**200,521**	552,605	118,876	96,504	68,706
Attributable to:					
Equity shareholders of the Company	**199,731**	552,313	118,876	96,504	68,706
Minority interests	**790**	292	–	–	–
	200,521	552,605	118,876	96,504	68,706
Earnings per share					
– basic	**RMB0.107**	RMB0.295	RMB0.264	RMB0.217	RMB0.225
– diluted	**RMB0.107**	RMB0.295	RMB0.260	RMB0.212	RMB0.224

As at 31 December

	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000	2006 RMB'000	2005 RMB'000
Total assets	**4,296,521**	4,397,320	1,060,915	906,193	722,957
Total liabilities	**(1,721,029)**	(2,045,365)	(415,073)	(400,669)	(317,699)
Net assets	**2,575,492**	2,351,955	645,842	505,524	405,258

Note:

The figures for the years 2008 and 2009 have been prepared as if the current combined entity has been in existence throughout the two years and please refer to note 1(b) in the Notes to Financial Statements for details. The figures for the three years from 2005 to 2007 are not restated as the cost to produce such information outweighs the benefits.

Financial Highlights

	As at 31 December		
	2009 RMB'000	2008 RMB'000 (restated)	+/–
FINANCIAL POSITION			
Total assets	**4,296,521**	4,397,320	-2.3%
Net assets	**2,575,492**	2,351,955	9.5%
Net current assets	**1,484,466**	1,287,279	15.3%
Cash balances	**872,640**	341,635	155.4%
Bank loans and overdrafts	**193,151**	234,813	-17.7%
Gearing ratio[1]	**7.5%**	10.0%	-2.5%

	For the year ended 31 December		
	2009 RMB'000	2008 RMB'000 (restated)	+/–
OPERATING RESULTS			
Turnover	**3,057,466**	5,785,542	-47.2%
Gross profit	**545,771**	1,127,681	-51.6%
EBITDA	**354,437**	833,487	-57.5%
Profit from operations	**274,887**	713,258	-61.5%
Profit attributable to equity shareholders	**199,731**	552,313	-63.8%
PER SHARE DATA			
Earnings per share – basic	**RMB0.107**	RMB0.295	-63.8%
Earnings per share – diluted	**RMB0.107**	RMB0.295	-63.8%
Net asset value per share	**RMB1.375**	RMB1.260	9.1%
KEY STATISTICS			
GP ratio	**17.9%**	19.5%	-1.6%
EBITDA margin	**11.6%**	14.4%	-2.8%
Operating profit margin	**9.0%**	12.3%	-3.3%
Net profit margin	**6.6%**	9.6%	-3.0%
Return on equity[2]	**7.8%**	23.5%	-15.7%
Interest coverage – Times	**11.6**	8.4	3.2
Inventory turnover days[3]	**166**	100	66
Debtor turnover days	**113**	64	49
Creditor turnover days	**93**	55	38
KEY OPERATIONAL DATA (units sold)			
CNG trailers and seamless pressure cylinders	**3,297**	2,660	23.9%
LNG trailers and tanks	**1,120**	1,466	-23.6%
LPG tank trucks and tanks	**292**	142	105.6%
CNG refueling system			
– Hydraulic power units	**85**	81	4.9%
– Refueling station trailers	**177**	147	20.4%
Natural gas compressors	**108**	124	-12.9%
Liquid ammonia trailers and tanks	**155**	138	12.3%
Stainless steel tank containers	**3,002**	12,200	-75.4%

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

Energy, Chemical and Liquid food

The China factor and fast-growing developing countries are expected to drive the growth of energy, chemical and liquid food industries.

Industry Overview

2009 is an uneasy year for most industries although a modest growth momentum of global economy appeared in the latter half of the year since the financial crisis in 2008.

The long-term outlook of the energy, chemical and liquid food industries the Group engaged in remain broadly bullish under the RMB 4-trillion stimulus packages of the PRC government and the anticipated gradual recovery of global economy.

Energy

World primary energy consumption grew at a 7-year low rate of 1.4% in 2008 with slower economic growth and higher average prices. The emerging Asia-Pacific region accounted for 87% of the world's growth. In particular, China, the second largest country of energy consumption following the U.S., occupied a stunning 75% of the global growth although its growth pace has slowed down in recent years.

The increase of awareness of the use of clean energy saw the share of natural gas in the world primary energy consumption climbed to a record high of 24.1%. The global gas consumption is predicted to grow by an average of 1.6% per year from now on till 2030. China is likely to take the lead with an average annual growth rate of 5.2%.

In 2009, China consumed 11.5% more gas than in 2008. Nevertheless, natural gas consumption per capita in China was approximately 66.3 cubic metres ("cbm"), lagging far behind the world's figure of approximately 450.6 cbm. The low gas usage rate in China indicates significant growth potential for its natural gas market.

The rapid development of natural gas in China is the fruit of the state policy on propelling the use of the gas implemented in recent years.

The Chinese government aims to establish a diversified, balanced and clean energy portfolio to safeguard the country's sustainable and environmental-friendly development. To achieve this, one of the key measures is to lessen its heavy reliance on coal and oil and boost the use of clean energy. Considering that natural gas is a green and economical resource, the government targets to increase the proportion of natural gas in the primary energy consumption mix to 9% by 2015 and 15% by 2020 from the current 3%.

Various accesses to gas sources have been opened in order to support the gas-boost plan.

China mainly imports natural gas from Australia and South-east Asian countries, and more imports are scheduled from Russia and central Asian countries. The three Chinese oil and gas giants have also made significant progress in exploitation of gas fields, both locally and overseas.

Ten billions of Renminbi has been injected in natural gas storage and transportation infrastructure.

Management Discussion and Analysis

The Central Asia-China Gas Pipeline and the western segment of the Second West-East Gas Pipeline were put into operation in late 2009. The Sichuan-East Gas Pipeline has also been completed. With more gas pipelines, for example, the Sino-Myanmar Oil-and-Gas Pipeline, scheduled to be completed in coming years, it is estimated that the total length of the nation's gas pipeline will be approaching 100,000 kilometers by 2015.

After the first LNG terminals came into operation in Shenzhen in 2006, new terminals in Fujian and Shanghai have started running in 2009 with more are under construction or proposal, for example, in Dalian, Ningbo and Caofeidian.

More natural gas liquefaction plants will be built to meet the Chinese government's target to increase the local production capacity of LNG.

The increasing abundance of natural gas and enormous investment in natural gas infrastructure do not only draw huge demand for the natural gas storage and transportation equipment industry, but also support its sustainable growth.

Various types of natural gas storage and transportation equipment are needed along the natural gas supply chain, such as LNG terminals in the upstream, LNG gasification plants, LNG satellite storage stations, CNG and LNG trailers and CNG high-pressure cylinders in the midstream, as well as CNG refueling station systems in the downstream.

In order to meet seasonal gas demand and maintain stable and sufficient gas supply of the country, China is building more large-volume LNG storage tanks.

Another revenue source of the natural gas storage and transportation equipment industry is the long-term promotion of use of natural gas in vehicles, in particular, taxis and buses by the Chinese government. Statistics show that the growth rate of natural gas vehicles ("NGV") in China is nearly double of world average. This reflects an enormous room for further development of China's NGV market, which in turn offers good business opportunity for gas refuelling station equipment.

The bright prospect of the PRC's natural gas equipment market will unavoidably attract more competitors. Superior industry qualifications, good reputation, sound track record and strong R&D capability, all of which the Group possesses, will become the decisive competitive advantages over rivals.

Turn to the international side, emerging countries and South-east Asian countries, such as India and Thailand have been reacting actively to increase the use of natural gas. Development potential of gas equipment is thus massive in these regions.

Besides natural gas, LPG is the other commonly used clean gas fuel and benefits from China's clean energy policy.

While natural gas has become one of the major gas fuels in big cities, LPG is still a primary choice of clean gas fuel in most mid and small cities and rural areas due to the lack of natural gas pipeline grid in these areas. It is predicted that demand for LPG in China will continue to see a considerable increase in coming years, especially in rural areas undergoing development and modernisation.

LPG storage and transportation equipment, for example, LPG tank trucks and tanks will be indispensable for the development of LPG industry.

Management Discussion and Analysis

Chemical

Chemicals are usually used as raw materials in different economic activities, such as agriculture, manufacturing, industrials, pharmaceuticals, automobile and consumer products. Hence, the chemical industry contributes a large portion to the world's GDP and is closely linked to the macro economy.

Between 1997 and 2007, the revenue generated by the global chemical industry grew at a CAGR of 4.9%, where China and other countries in the Asia Pacific region recorded the fastest growth.

However, the global chemical industry suffered a slump in the financial crisis in 2008 due to falling demand for chemical products on a sliding global economy. China was not immune to the crisis and its chemical industry's growth slowed down since 2008.

The downtrend of the chemical industry appeared to be close to an end in late 2009 and resume slow rebound amid signs that economic activity was bottoming out. It is forecast that global economy is likely to resume a positive growth in coming years in contrast to the contraction last year. Developing countries will move faster, in particular, China, which is estimated to expand by 8%. Production of chemicals in Asia Pacific regions, including South-east Asia is estimated to grow faster at approximately 8.6% in 2010 compared with 2.4% in 2009.

In China, growth force of the chemical industry is likely to be reinforced by the government's stimulus plan of domestic spending and revitalisation plan for the industry released in 2009. A huge amount of investment in the construction of chemical infrastructure is needed in coming years to realise the revitalisation plan. This will definitely help improve the business environment for the chemical storage and transportation equipment industry.

Liquid food

The liquid food industry comprises several markets, such as soft drinks, alcoholic drinks (including beer, wine and spirits), distilleries, fruit juice, milk, sauces and soup. According to Euromonitor, the world's consumption of liquid food in 2007 was estimated to be 882.3 billion litres, of which soft drinks, alcoholic drinks and milk accounted for approximately 57.0%, 25.5% and 14.2%, respectively. Between 2001 and 2007, the global consumption of liquid food grew at a CAGR of 4.4%.

Hit by the worldwide financial crisis and market saturation, expansion of liquid food industry in developed countries has decelerated in recent years. In opposite, the industry is growing fast in developing countries, like China and India with the robust growth of their economies accompanied by rapid urbanisation.

Although China's economic growth has slowed down in the global economic downturn, its GDP was managed to record an increase of over 8% for 2009. Increasing purchasing power has come with the country's economic growth and increasing urbanisation.

The Chinese beer industry is rosy and reflects the broader trends in the overall local liquid food market.

A number of major brewery groups are attracted by its bright business potential and have poured investments in China's beer market. For the first half of 2009, total output volume of the nation's beer industry was 205.1 million hectolitres, representing an increase of 6% over the same period of the previous year. China has been the largest beer producer in the world for eight consecutive years and is forecast to maintain a steady annual growth rate.

Supported by the PRC's government policy on stimulating domestic consumption, along with increasing income of rural population and continuing urbanisation of the country, the outlook of the Chinese liquid food industry remains bright.

The development of liquid food industry will definitely propel the move of the transportation, storage and processing equipment sector.

Business Review

The business portfolio of the Group expanded from the energy to the chemical and liquid food segments in the reporting year.

On 25 July 2009, the Group completed the acquisition of Hongtu, which is principally engaged in the design, manufacturing and sale of specialised equipment, for example, LPG tank trucks and chemical trucks.

On 14 August 2009, the Group completed the Acquisitions from its controlling shareholder, CIMC of certain companies engaged in the design, development, manufacturing, sale and project engineering of storage and transportation equipment, namely:

(i) CIMC Sanctum, which makes storage and transportation equipment of LNG, industrial gases and hazardous chemicals;

(ii) Nantong CIMC, which makes tank containers mainly for transportation of chemicals, liquid food and natural gas, and custom-made pressure vessels; and

(iii) the Holvrieka Group, which manufacture stainless steel processing and storage tanks mainly for liquid food (including beer, fruit juice and milk).

The completion of these acquisitions strengthened the Group's presence in the energy equipment market, including, CNG, LNG and LPG, and marked its entrance to the chemical and liquid food equipment markets. Its headquarters remains in China.

Henceforth, the Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used among the energy, chemical and liquid food industries.

Business structure and product portfolio

The businesses of the Group are primarily carried out by seven operating units and are divided into three segments, which are energy, chemical and liquid food.

Key products of each segment are summarised as follows:

Energy

- CNG seamless pressure cylinders
- CNG trailers
- LNG trailers and tanks
- CNG/LNG refuelling station system
- LPG tank trucks and tanks
- Natural gas compressors
- Project engineering services, e.g. LNG application projects

This segment is mainly operated by Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司), CIMC Sanctum, Enric (Langfang) Energy Equipment Integration Company Limited (安瑞科(廊坊)能源裝備集成有限公司), Hongtu and Enric (Bengbu) Compressor Company Limited (安瑞科(蚌埠)壓縮機有限公司), which are all based in the PRC.

Chemical

- Specialty gas trailers
- Stainless steel tank containers for hazardous chemical liquids
- Carbon steel gas tank containers for hazardous pressurised chemicals
- Cryogenic storage tanks and cylinders for industrial gases

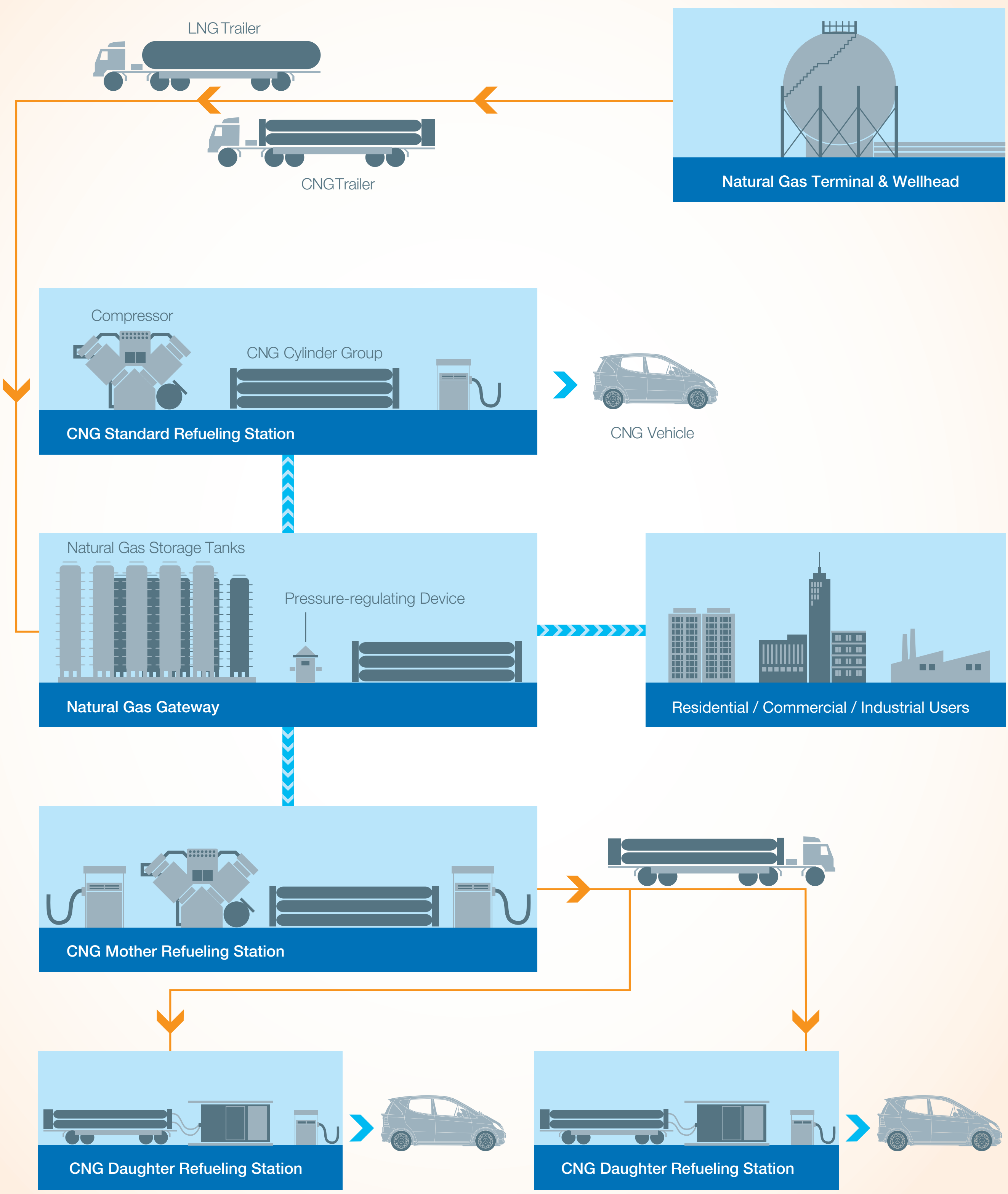
This segment is mainly operated by Nantong CIMC, based in the PRC.

Liquid food

- Stainless steel processing and storage tanks
- Project engineering services, e.g. turnkey projects for the processing and distribution of beer and fruit juice

This segment is mainly operated by the Holvrieka Group, which is based in Europe.

CNG Refueling Station Solutions



Operational performance

During the year ended 31 December 2009, revenue contribution from CNG trailers and storage cylinders maintained stable at RMB644,793,000 (2008: RMB645,194,000), representing a 0.1% decrease over 2008; while the turnover of hydraulic CNG refueling station systems (comprising hydraulic power unit and refueling station trailers) rose by 12.4% to RMB311,610,000 (2008: RMB277,247,000). However, turnover of LNG trailers and tanks recorded a decline of 30.5% to RMB419,672,000 (2008: RMB604,022,000) and revenue from LNG engineering projects fell by 20.8% to RMB135,505,000 (2008: RMB171,140,000). As a result, the overall performance of the energy segment saw a decline of 8.9% to RMB1,811,512,000 (2008: RMB1,989,155,000).

Revenue contributed by the stainless steel tank containers fell by 79.6% to RMB499,230,000 (2008: RMB2,447,148,000) due to a fall in the sale volume of stainless steel tank containers. As the stainless steel tank container is the dominant product of the chemical segment, this segment's overall revenue fell by 74.6% from RMB2,562,269,000 in 2008 to the current year's RMB651,816,000.

The liquid food segment recorded a fall in the turnover from RMB1,234,118,000 in 2008 to RMB594,138,000 in 2009 which represents a 51.9% fall. The fall in the segment's revenue is mainly attributed to a shrink of demand for stainless steel storage and processing tanks as a result of the decrease of investments in new production capacity in the liquid food industry in the economic downturn.

Research and development

One of the key competitive edges of the Group is its strong R&D capability.

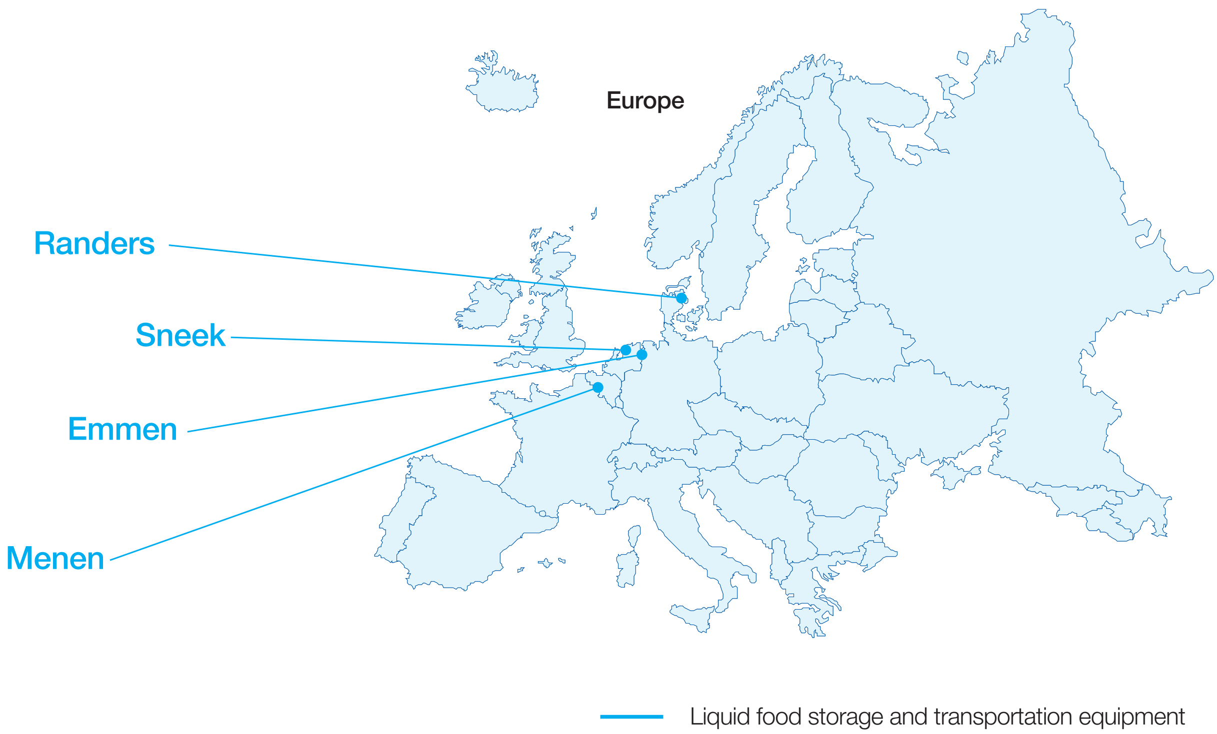
The energy and chemical arms of the Group have set up its own R&D centres locally in the PRC. Its liquid food arm in Europe conducts R&D jointly with customers and makes products according to customer's specifications.

In addition to its in-house R&D teams, the Group has established long-term R&D cooperation with leading universities and technology and research institutes, including East China University of Science and Technology (華東理工大學), Shanghai Jiao Tong University (上海交通大學), Zhejiang University (浙江大學) and Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), and will conduct research in collaboration with external professionals on project basis.

In 2009, the Group devoted RMB43,049,000 (2008: RMB30,047,000) to the R&D of new products and manufacturing technologies.

It completed the testing phase of the R&D of lightweight composite cylinders, and made satisfactory progress in the development of pressure cylinders for high-purity specialty gas. It also successfully developed LNG storage tanks with a volume of 10,000 cbm, being one of the very few domestic manufacturers who has the capacity to make such large-volume LNG storage tanks in the cryogenic equipment sector in the PRC. These enhancement and technological breakthrough are stemmed from the Group's years of effort and dedication at R&D.


Langfang
Shijiazhuang
CHINA
Bengbu
Zhangjiagang
Nantong
Jingmen
CNG refueling stations
Natural gas compressors
LPG storage and transportation equipment
LNG storage and transportation equipment
CNG storage and transportation equipment
Chemical storage and transportation equipment


Europe
Randers
Sneek
Emmen
Menen
Liquid food storage and transportation equipment

Production capacity

In the year, the Group invested RMB294,291,000 in capital expenditure.

The expansion of the production plant of seamless pressure cylinders completed as scheduled in the second half of 2009. The Group's seamless pressure cylinders' annual output has reached approximately 12,000 units.

With the completion of the acquisitions conducted in the year, production bases of the Group expanded significantly.

Major production plants of energy and chemical equipment are located in six cities across four provinces in the PRC, which are Nantong and Zhangjiagang of Jiangsu province, Shijiazhuang and Langfang of Hebei province, Jingmen of Hubei province and Bengbu of Anhui province. Production plants of liquid food equipment are mainly at Emmen and Sneek of the Netherlands, Randers of Danmark, and Menen of Belgium.

Sales and marketing

The Group runs sales offices in the PRC and South-east Asia.

Energy and chemical products and services are delivered across the PRC and export to South-east Asia, Europe and North America. Liquid food products and services are mostly sold in the Netherlands and other countries in Europe.

The Group maintains good business relations with heavy-weights in the industries. Within the Group's top 20 customers are big names, for example, PetroChina, Sinopec, Xinao Gas, EXSIF, Stolt and Air Products.

In order to maintain sustainable growth and diversified business risks, proactive expansion of overseas business is one of the Group's long term development strategies.

In the year, the Group's revenue derived from overseas amounted to RMB1,294,000,000 (2008: RMB3,827,960,000). The Group will keep developing new products catering for the overseas market. Special focus will be put on developing emerging markets, such as South-east Asia, Central Asia and South America. In addition, it is planning to set up more representative offices in various Asian countries in order to promote its products.

Referral arrangement for finance lease will continue to be available for customers with an aim to lure and retain them especially under the current unsettled business environment.

Cost control

In the year, the Group launched certain cost control and management enhancement programs for promoting and monitoring operational efficiency and quality, and for optimising resources allocation and sharing among operating units.

Steel is the most important raw materials of the Group's products. Hence, one of the most effective cost controls is to minimise the cost of steel. Making use of the synergy of procurement resulted from the acquisitions, the Group will maintain good relationship with large steel suppliers and purchase in bulk to strengthen its bargaining power.

With the continuing technological advancement in the PRC, steel pipes manufactured in China are of comparable quality with those made overseas in recent years. Moreover, domestic steel pipes usually cost less than the imported. Therefore, the Group has commenced and will continue to bulk purchase steel pipes locally from PRC suppliers.

Qualifications

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

It possesses qualifications from both local and international industry authorities such as the American Society of Mechanical Engineers (ASME), the China Classification Society, the China Machinery Industry Federation (CMIF), the TÜV NORD Systems, the Ministry of Commerce, Industry and Energy of Korea, the Department of Transportation (DOT) of the United States, Bureau Veritas (BV) of France, the Lloyd's Register Group (LR) of the United Kingdom as well as the ISO9000 and ISO9001 certificates. It also developed and possesses certain patented technologies.

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

The array of qualifications and recognitions have strengthened the Group's prime position over competitors and its export ability.

Customer service

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

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

The Group, in collaboration with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), has established five examination centres for high pressure cylinder trailers in Changzhou, Urumqi, Xi'an, Shenyang and Haikou, the PRC. CNG trailers and other high pressure cylinder trailers are required to pass certain safety examinations in accordance with relevant safety regulations in order to obtain special-vehicle license renewal. The examination centres are authorised to provide such examination services.

Human resources

The Group bases its competitive advantage on the excellence of its people, central to which is people development.

Competence-based training programmes and balanced score card tool were carried out in the year. Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development. Award presentations are held every year to recognise the outstanding performance of employees of the year.

At 31 December 2009, the total number of employees of the Group was approximately 4,900. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB413,494,000 (2008: RMB439,615,000).

During the year, the Group grant share options to certain Directors and key employees as rewards for their past contributions and as long-term incentives.

As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications, and experience of individual employee and prevailing market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong, contributions to government pension schemes to employees in Mainland China, and operation of various qualified defined benefit pension plans which are funded through payments to insurance companies for employees in Europe.

Financial Analysis

Turnover

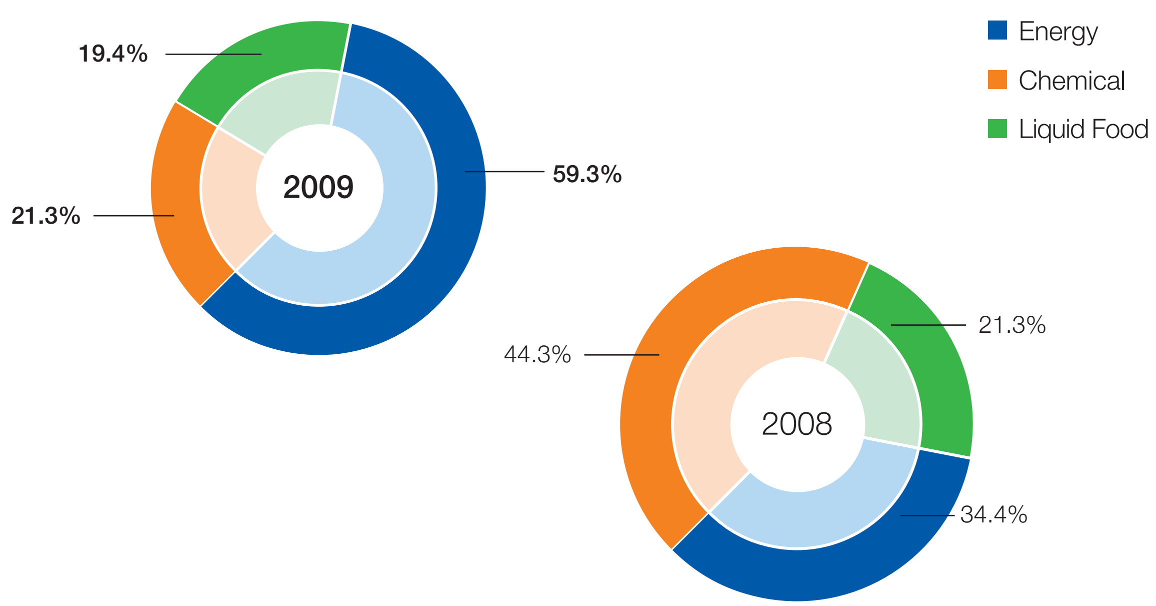
While the energy segment has recorded a rather stable performance, due to the global economic downturn resulting from the global financial crisis, the demand for chemical and liquid food storage and transportation equipment fell substantially. As a result, the turnover for 2009 fell by 47.2% to RMB3,057,466,000 over the previous year (2008: RMB5,785,542,000). The performance of each segment is discussed below.

Energy is the top grossing segment of the Group, its turnover fell slightly by 8.9% to RMB1,811,512,000 (2008: RMB1,989,155,000) and accounted for 59.3% (2008: 34.4%) of the overall turnover.

Chemical segment's turnover plunged by 74.6% to RMB651,816,000 (2008: RMB2,562,269,000) and contributed 21.3% (2008: 44.3%) of the overall turnover, making it the second top grossing segment of the Group during 2009.

Turnover of liquid food segment was RMB594,138,000 (2008: RMB1,234,118,000), representing a fall of 51.9%, and made up 19.4% (2008: 21.3%) of the overall turnover.

Segment Turnover Contribution



Gross profit margin and profitability

The energy segment's gross profit margin ("GP margin") rose by 2.6 percentage points to 23.3% (2008: 20.7%). The improvement in the segment's GP margin was mainly caused by an increase in the GP margin of CNG storage and transportation products and increase in the sales of the high margin hydraulic natural gas refueling station systems within the segment. The CNG storage and transportation products managed to raise its GP margin because of the quantity discount received on bulk purchase of raw materials.

The GP margin for liquid food segment increased from 16.0% in the previous year to 18.9% in 2009 mainly due to a fall in the cost of raw materials and good project management and effective cost control measures.

In relation to the chemical segment, its GP margin saw dramatic fall from 20.3% in 2008 to 1.8% in the current year which is mainly caused by high fixed production costs, such as labour and depreciation, that reduced at a lower rate as that of turnover.

In spite of the improved GP margins of both energy and liquid food segments, the drastic decrease in the chemical segment's GP margin dragged the Group's overall GP margin by 1.6 percentage points to 17.9% (2008: 19.5%).

Profit from operations expressed as a percentage of turnover dropped by 3.3 percentage points to 9.0% (2008: 12.3%) which is attributable to two main reasons, namely the fall in gross profit and human resources costs falling at slower rate than turnover. As the Group regards human resources as its most valuable asset, it did not resort to layoffs to reduce its operating costs; thus causing the human resources costs to decrease only slightly at 5.9% from RMB439,615,000 in 2008 to RMB413,494,000 in the current year.

Cost of sales

Cost of sales fell by 46.1% to RMB2,511,695,000 during 2009 (2008: RMB4,657,861,000). Within cost of sales, 83.1% (2008: 89.1%), 9.3% (2008: 6.4%), 2.6% (2008: 1.2%) and 5.0% (2008: 3.3%) were attributable to raw materials, wages, depreciation and factory overheads respectively. The proportion of wages, depreciation and factory overheads increased in 2009 as these are mostly fixed costs.

Other revenue

Other revenue totalling RMB118,176,000 in 2009 (2008: RMB97,310,000) comprised of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in government grants received by the Group during 2009.

Selling expenses

Selling expenses fell by 35.7% to RMB120,115,000 (2008: RMB186,827,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses fell at a slower pace than that of turnover as the cost of human resources remained stable despite a lower turnover which offset the fall in other expenses such as royalty and commission.

Administrative expenses

Administrative expenses decreased by 5.1% to RMB284,395,000 (2008: RMB299,516,000) which is slower than the fall in turnover and was mainly caused by the increase in human resources cost and R&D expenditure. In addition, part of the fair value of share options granted to Directors, employees and other eligible persons totalling RMB6,620,000 was recognised as an expense during the year. It is worthwhile to note that this expense is non-cash in nature and does not have any effect on the shareholders' equity as the same amount was credited to the capital reserve account.

Other net income/expenses

Other net income increased to RMB1,024,000 in 2009 (2008: other net expenses RMB1,330,000) which comprised loss on disposal of property, plant and equipment, charitable donations and various miscellaneous income. The rise in current year's other net income was mainly attributable to the rise of other miscellaneous net income and the fall in loss on disposal of property, plant and equipment.

Finance costs

During 2009, finance costs fell by 29.6% to RMB40,242,000 (2008: RMB57,136,000). Finance costs mainly comprised bank loan and other borrowings interest of RMB22,095,000 (2008: RMB88,879,000). From the third quarter of 2008, a significant portion of bank loans were repaid gradually thus reducing the amount of borrowings. Moreover, in 2008, a subsidiary acquired from CIMC had borrowings of RMB130,000,000 from CIMC and as part of the terms for the Acquisitions, the borrowings were waived by CIMC in 2009 prior to the completion of the Acquisitions. As a result, interest expenses reduced drastically in 2009. However, the rise of exchange loss to RMB14,371,000 in 2009 from a gain of RMB34,241,000 in 2008 has to a certain extent offset the fall in interest expense.

Taxation

Tax expenses for the Group dropped by 67.0% to RMB34,124,000 in 2009 (2008: RMB103,517,000) which coincides with the fall in the Group's profit from operations.

Financial Resources Review

Liquidity and financial resources

At 31 December 2009, the Group recorded cash on hand of RMB872,640,000 (2008: RMB341,635,000) and bank loans and overdrafts of RMB193,151,000 (2008: RMB234,813,000). A portion of the Group's bank deposits totalling RMB77,940,000 (2008: RMB43,779,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2009, the Group's bank loans and overdrafts amounted to RMB193,151,000 and apart from the HKD65,000,000 (equivalent to RMB57,148,000) three-year term loan that bears interest at floating rates, the remaining bank loans bear interest at rates from 1.9% to 5.3% per annum and repayable within one year. All bank loans of the Group were guaranteed by the Company's subsidiaries. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2008: zero times) as the Group retained a net cash balance of RMB679,489,000 (2008: RMB106,822,000). The Group's interest coverage was 11.6 times for 2009 (2008: 8.4 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2009, net cash generated from operating activities amounted to RMB788,270,000 (2008: RMB533,951,000). The Group drew bank loans of RMB440,675,000 (2008: RMB1,481,969,000) and repaid RMB492,685,000 (2008: RMB1,669,526,000). Apart from drawing bank loans, the Group issued 398,452,201 ordinary shares and 1,015,641,321 non-redeemable convertible preference shares as the consideration for the Acquisitions.

Assets and liabilities

At 31 December 2009, total assets of the Group amounted to RMB4,296,521,000 (2008: RMB4,397,320,000) while total liabilities were RMB1,721,029,000 (2008: RMB2,045,365,000). The net asset value rose by 9.5% to RMB2,575,492,000 (2008: RMB2,351,955,000) which was attributed to the net profit of RMB200,521,000 for the year. As a result, the net asset value per share increased to RMB1.375 at 31 December 2009 from RMB1.260 at 31 December 2008.

Contingent liabilities

At 31 December 2009, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2009, the Group had contracted but not provided for capital commitments of RMB66,589,000 (2008: RMB122,921,000), and authorised but not contracted for capital commitments of RMB6,393,000 (2008: RMB10,108,000).

Foreign exchange exposure

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other its functional currency. The currency giving rise to this risk to the Group is primarily US dollars. The Group continuously monitors its foreign exchange exposure and controls such exposure by raising funds in the denominations of its principal operating assets and revenue. Moreover, if necessary, the Group enters into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2009, the Group had total capital commitments of RMB72,982,000.

Directors and Senior Management

DIRECTORS

Mr. Zhao Qingsheng

Chairman and Executive Director

Mr. Zhao, aged 57, joined the Group as an Executive Director in September 2007 and has become the Chairman of the Board since October 2007. He graduated from the Wuhan University of Water Transportation Engineering (武漢水運工程學院) (now known as the Wuhan University of Technology (武漢理工大學)), majoring in vessel internal combustion engineering. Mr. Zhao joined China Merchants Group Limited (招商局集團有限公司) in 1983 and was the general manager of its enterprise department from 1991 to 1995. He was appointed the deputy general manager of China Merchants Holdings (International) Company Limited from 1995 to 1999. Mr. Zhao then joined CIMC and served as a vice-president from 1999 until now. He holds directorships in certain subsidiaries of the Company.

Mr. Gao Xiang

General Manager and Executive Director

Mr. Gao, aged 44, joined the Group as the General Manager in January 2009 and was appointed as an Executive Director in September 2009. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistic Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was also an assistant to the president of CIMC from 2004 to 2008. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Jianlong

Executive Director, Remuneration Committee chairman

Mr. Jin, aged 56, joined the Group as an Executive Director in September 2007. He graduated from the Maanshan University of Iron and Steel Technology (馬鞍山鋼鐵學院), majoring in accounting. Mr. Jin worked in the Hangzhou Iron and Steel Factory (杭州鋼鐵廠) from 1975 and served as a deputy manager of its accounting department from 1985 to 1989. He joined CIMC in 1989 and served as the manager of the finance department of Shenzhen Southern CIMC Containers Manufacturing Co., Ltd. (深圳南方中集集裝箱製造有限公司). Mr. Jin is currently the general manager of the financial management department of CIMC. He holds directorships in certain subsidiaries of the Company.

Mr. Yu Yuqun

Executive Director

Mr. Yu, aged 44, joined the Group as an Executive Director in September 2007. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu worked in the State Bureau of Commodity Price (國家物價局) of the PRC before joining CIMC in 1992. He is currently the secretary to the board of directors of CIMC, responsible for investor relations and financing management. Mr. Yu holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director, Nomination Committee chairman

Mr. Jin, aged 46, was re-designated from an Executive Director to a Non-executive Director and ceased to be the Chief Executive Officer in September 2009. He graduated from the Tianjin University of Finance and Economics (天津財經大學), specialising in finance, and also obtained an executive master's degree in business administration from the Guanghua School of Management of the Peking University (北京大學光華管理學院). Mr. Jin is a qualified lawyer in China. He joined the Group in September 2005 serving as an Investor Relations Manager of the Company, and was appointed as an Executive Director and the Chief Executive Officer of the Company in June 2006. Mr. Jin was an executive director of Xinao Gas Holdings Limited from 2000 to 2006 and is currently its non-executive director.

Mr. Petrus Gerardus Maria van der Burg

Non-executive Director

Mr. van der Burg, aged 56, joined the Group as a Non-executive Director in September 2009. He graduated from the Rotterdam Technical Institutions, majoring in steel structures. Mr. van der Burg acted as a mechanical engineer in van Veen en Ettinger Rotterdam, the Netherlands in 1978. From 1978 to 2007, he held various chief executive positions and directorships in Burg Industries B.V., the former holding company of certain subsidiaries of the Company. Mr. van der Burg has over seven years of management experience in the tank container industry. Under his leadership, a well-known South African tank container producer developed various types of standard and special stainless steel tank containers. Mr. van der Burg holds directorship in certain subsidiaries of the Company.

Mr. Wong Chun Ho

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

Mr. Wong, aged 37, joined the Group as an Independent Non-executive Director since February 2005. He obtained his bachelor's degrees in business (accounting) and computing (information system) from Monash University, Australia. Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia and a Chartered Financial Analyst. He is currently an assistant director of N M Rothschild & Sons (Hong Kong) Limited and prior to that he worked in KPMG. Mr. Wong has over 15 years of corporate finance and audit experience in the Hong Kong and China regions.

Mr. Gao Zhengping

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

Mr. Gao, aged 55, joined the Group as an Independent Non-executive Director since February 2005. He received a doctorate in management from the Tianjin University of Finance and Economics (天津財經大學) and is presently the deputy vice chancellor and a professor of the university. Mr. Gao is also a standing director of the Financial Talents Committee of Talents Research Association of the PRC (中國人才研究會金融人才專業委員會), a member of the editorial board of financial publications of China Financial Publishing House (中國金融出版社金融教材編輯委員會), the vice chairman of the Tianjin Finance Association (天津市金融學會) and a member of the Professional Committee of the Tianjin Venture Investment Promotion Association (天津市風險投資促進會). He is an independent director and a member of the audit committee and nomination committee of Tianjin Xinmao Science and Technology Co., Ltd. (天津鑫茂科技股份有限公司).

Mr. Tsui Kei Pang

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

Mr. Tsui, aged 49, joined the Group as an Independent Non-executive Director since November 2009. He obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a solicitor of England and Wales (non-practising), a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui is currently a partner of Gallant Y.T. Ho & Co. and specialises in China business practices. He is also the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited as well as a member of China Committee of Hong Kong General Chamber of Commerce.

SENIOR MANAGEMENT

Mr. Ren Yingjian

Deputy General Manager

Mr. Ren, aged 54, is responsible for assisting the General Manager in the oversight of business development and customer relations of the Group. He completed his study in Tsinghua University's School of Economics and Management (清華大學經濟管理學院). Mr. Ren was the general manager of Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司), a wholly-owned subsidiary of the Company, from 2003 to 2009. Prior to joining the Group, he was the managing director of Mudanjiang Gold Peony Knitwear Company (牡丹江金牡丹針織有限公司) and the general manager at Mudanjiang Sanxing Knitwear Factory (牡丹江三星針織廠). Mr. Ren is an engineer and experienced in the management of industrial enterprises.

Mr. Liu Sheng

Deputy General Manager

Mr. Liu, aged 41, is responsible for assisting the General Manager in the oversight of daily operation and project management of the Group. He obtained a bachelor's degree in mechanical production and technology from Shenyang Architectural and Civil Engineering Institute (瀋陽建築工程學院) (now known as Shenyang Jianzhu University (瀋陽建築大學)) and a master's degree in business administration from the Nanyang Technological University, Singapore. Prior to joining the Group in May 2006, Mr. Liu was the general manager of Sino-Japan Lanqiao Precise Diamond Equipment Joint-venture Limited (中日合資藍橋精密鑽石工具公司) and Mindong New Technology Development Co., Ltd. (閩東新科技開發有限公司) respectively. He is a senior engineer and has accumulated rich management experience in manufacturing industry.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 38, is responsible for financial management, corporate finance and implementation of corporate governance practices of the Company. He graduated with a bachelor's degree in business administration from Thames Valley University, the United Kingdom. Mr. Cheong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked at an international firm of certified public accountants and has more than 12 years of experience in accounting, financial management and corporate finance.

Corporate Governance Report

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

Continued efforts have been undertaken in reviewing and enhancing the quality of corporate governance practices with reference to local and international standards. Since its listing on the Stock Exchange in October 2005, the Company has adopted the CG Code issued by the Stock Exchange as its principal guideline in relation to corporate governance practices.

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

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

Throughout the year ended 31 December 2009, the Company complied with all the code provisions set out in the CG Code, except that the Chairman of the Board was unable to attend the AGM held on 25 May 2009 due to health reasons. Alternatively, the then CEO attended the AGM for addressing shareholders' queries.

Board of Directors

The board

The Board assumes the responsibility for leadership and control of the Group, and is collectively responsible for promoting the success of the Group.

Decisions which are taken by the Board include those relating to:

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

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2009 and up to the date of this report, the Board, amongst others:

- reviewed the performance and formulated business strategies of the Group;
- reviewed budgets prepared by the management and monitored the actual results on a periodic basis;
- reviewed and approved financial statements of the Group for the two years ended 31 December 2008 and 2009, and for the six months ended 30 June 2009 respectively;
- reviewed the connected transactions and continuing connected transactions of the Group;
- reviewed and refined the corporate governance practices of the Group;
- reviewed the effectiveness of internal controls taken by the Group;
- approved the supplemental agreements and certain issues and documents in relation to the Acquisitions from CIMC;
- approved the grant of share options under a share option scheme resolved by the shareholders on 12 July 2006;
- approved the change of the Company's name and stock short name;
- approved the appointments, resignations and re-designation of Directors;
- approved the revised maximum aggregated annual values of the continuing connected transactions contemplated under the two master supply of spare parts agreements entered with CIMC and Burg Industries B.V. respectively, for the two financial years ending 31 December 2010 and 2011 (the "Revised Aggregated Annual Caps"); and
- approved certain documents and matters in relation to a bank loan agreement entered into by Enric Integration (HK) Company Limited, a wholly-owned subsidiary of the Company.

Board of Directors *(Continued)*

The board *(Continued)*

Notice of a regular Board meeting is given to all Directors at least 14 days in advance. Directors are invited to include items which they wish to be included in the agenda for the same to be finalised and are given the relevant meeting papers at least three days prior to a Board or Board Committee meeting.

Directors are properly briefed on agenda items and provided with opportunities to raise questions or comment at meetings. Where necessary, professional advisers will be invited to attend the meeting to give expert advice and explanations to the Directors on agenda items.

Where a Director is unable to attend a meeting, he is advised of the matters to be discussed and encouraged to express his views to the Chairman or the Company Secretary (or his assistant) prior to the meeting.

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

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

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

Chairman and general manager

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

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

Mr. Jin Yongsheng was re-designated as a Non-executive Director from an Executive Director and ceased to be the CEO with effect from 30 September 2009. The Company no longer set the position of CEO since then. Its role and functions have fully been assumed by the General Manager.

Board of Directors *(Continued)*

Board composition

With the changes in directorships in the reporting year (details of which are set out in the section headed "Appointments and Resignations of Directors" in this report), the Board has raised the proportion of Independent Non-executive Directors to one-third, bringing in a stronger independent voice.

There was a time during the year where the number of Independent Non-executive Directors tentatively fell below the minimum number required under Rule 3.10(1) of the Listing Rules after the resignation of Mr. Shou Binan as an Independent Non-executive Director took effect on 30 September 2009. Nevertheless, the Board, at its best endeavour, appointed a new Independent Non-executive Director, Mr. Tsui Kei Pang, as soon as practicable on 11 November 2009 to fulfill such casual vacancy.

Currently, the Board consisted of four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Composition of the Board, by categories of directors, including names of the Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors, is disclosed in all corporate communications that require disclosure of the names of Directors.

The Board members come from a wide range of professional and educational backgrounds, including legal, accounting and corporate finance, economics, academic, management and industry expertise. It brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 23 to 25 and on the Company's website.

The Company has received from each Independent Non-executive Director a written confirmation of his independence pursuant to the requirement of the Listing Rules. With reference to such confirmations, the Company, to its best knowledge, considers all the Independent Non-executive Directors fulfill the guidelines on independence as set out in Rule 3.13 of the Listing Rules and all to be independent.

No relationship (neither financial, business nor family) exists among members of the Board as at the date of this report.

Responsibilities of directors

The Directors shall take decisions objectively in the interests of the Group as a whole. They meet regularly to keep abreast of its conduct, business activities, operational performance and latest development. Details of Director's attendance at Board and Board Committee meetings held in 2009 are set out in the paragraph headed "Director's attendance" in this section.

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

In relation to each connected transaction or other transaction of the Company that requires independent shareholders' approval, an independent board committee comprising Independent Non-executive Directors who have no interests therein will be formed to give independent opinion on the transaction.

Newly-appointed Directors will be briefed by the Company's legal advisors on director's responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances and the Listing Rules). They will also be provided a memorandum on directors' duties and obligations which assists them in understanding their responsibilities as directors. The Chairman or the General Manager will give a general induction on the Group and the Company will provide relevant information and organise various activities, for example, site visits, to ensure they properly understand the business and governance policies of the Company.

Board of Directors *(Continued)*

Responsibilities of directors *(Continued)*

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

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed, upon their appointment, and provide periodical updates to the Company their offices held in public companies or organisations and other significant commitments (if any). Information of Directors' office in other companies which is of significant nature is set out on pages 23 to 25 and on the Company's website.

The Company has adopted the Model Code as the code of conduct regarding Directors' dealing in securities of the Company. Each Director is required to confirm with the Company in writing, at least twice a year, that he has complied with the Model Code. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2009.

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

Director's attendance

	No. of meetings attended during 2009			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhao Qingsheng *(Chairman)*	8/8			
Mr. Gao Xiang *(General Manager) (note 1)*	1/1			
Mr. Jin Jianlong	8/8		3/3	
Mr. Yu Yuqun	5/8			
Mr. Wu Fapei *(notes 2 and 6)*	2/7			
Mr. Shi Caixing *(notes 2 and 6)*	1/7			
Mr. Qin Gang *(note 2)*	4/7			
Non-executive Directors				
Mr. Jin Yongsheng	5/9			2/2
Mr. Petrus Gerardus Maria van der Burg *(note 1)*	1/1			
Mr. Yang Yu *(note 4)*	2/3			
Independent Non-executive Directors				
Mr. Wong Chun Ho	7/9	5/5		2/2
Mr. Gao Zhengping	5/9	4/5	3/3	2/2
Mr. Tsui Kei Pang *(note 5)*	1/1			
Mr. Shou Binan *(notes 3 and 6)*	2/7	1/5	2/2	

Board of Directors *(Continued)*

Director's attendance *(Continued)*

Notes:

1. Mr. Gao Xiang and Mr. van der Burg were appointed as an Executive Director and a Non-executive Director respectively, both with effect from 30 September 2009.

2. Mr. Wu Fapei, Mr. Shi Caixing and Mr. Qin Gang resigned as Executive Directors, all with effect from 30 September 2009.

3. Mr. Shou Binan resigned as an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee respectively, all with effect from 30 September 2009.

4. Mr. Yang Yu resigned as a Non-executive Director with effect from 11 May 2009.

5. Mr. Tsui Kei Pang was appointed as an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee respectively, all with effect from 11 November 2009.

6. Due to unexpected business commitment and frequent business trips, the overall attendance rates of these former Directors are relatively low. Nevertheless, they gave their opinion and showed their voting position on the agenda items resolved in certain meetings in written and/or verbal form before and/or within a reasonable time after the meetings.

Appointments and Resignations of Directors

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

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

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

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

During the year, Mr. Yang Yu resigned as a Non-executive Director with effect from 11 May 2009 for health reasons.

Mr. Wu Fapei and Mr. Qin Gang resigned as Executive Directors of the Company with effect from 30 September 2009 for purpose of focusing on their senior executive roles in CIMC, the controlling shareholder of the Company.

Mr. Shi Caixing, being a director and the general manager of CIMC Sanctum, a wholly-owned operating subsidiary of the Company, resigned as an Executive Director of the Company with effect from 30 September 2009 for purpose of concentrating his time and effort on the business development of CIMC Sanctum.

Mr. Shou Binan resigned as an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee respectively for his other business engagements which required more of his time and effort, all with effect from 30 September 2009.

Appointments and Resignations of Directors *(Continued)*

Mr. Gao Xiang and Mr. van der Burg were appointed as an Executive Director and a Non-executive Director respectively, both with effect from 30 September 2009. Mr. Gao and Mr. van der Burg, who act as additions to the Board, are subject to re-election by shareholders at the forthcoming AGM.

Mr. Tsui Kei Pang was appointed as an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee respectively, all with effect from 11 November 2009. Mr. Tsui, who fulfilled a casual vacancy left by Mr. Shou Binan in the Board, was re-elected by shareholders at the EGM held on 3 February 2010.

Remuneration of Directors

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

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

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

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

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

Delegation by the Board

Management functions

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

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

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

Delegation by the Board *(Continued)*

Board committees

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

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

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

Audit Committee

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

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

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

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

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

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

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

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

The committee meets the external auditor and senior management of the Company (including accounting and finance management) regularly. During 2009 and up to the date of this report, the committee held seven meetings and reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for each of the two years ended 31 December 2008 and 2009;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the two years ended 31 December 2008 and 2009, and the interim results for the six months ended 30 June 2009 with the external auditor;
- the management accounts for the three months ended 31 March 2009;
- the continuing connected transactions of the Group during 2008 and 2009 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- the compliance and enforcement of the deed of non-compete undertakings dated 1 June 2009 (the "Deed of Non-compete Undertakings" or the "Deed") made by CIMC in favour of the Company which was subject to annual review by the Independent Non-executive Directors thereunder;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of external auditor;
- the provision of non-audit services by external auditor; and
- the external auditor's management letters and the management's response thereto.

In 2009 and up to the date of this report, the Company engaged KPMG as the external auditor of the Group. KPMG provided audit and audit related services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Nature of service	Fees RMB
Review of the Group's financial statements for the six months ended 30 June 2009	393,000
Audit of the Group's financial statements and performance of agreed-upon procedures on certain continuing connected transactions for the year ended 31 December 2009	3,909,000

In addition, the Group engaged KPMG as the reporting accountant in relation to the Acquisitions. The relevant fee was borne by the vendors of the Acquisitions.

Save as disclosed above, the Group did not engage KPMG for any other services during 2009 and up to the date of this report.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Remuneration Committee

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

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

In 2009, the Remuneration Committee had, having consulted the Chairman of the Board, reviewed and determined the remuneration packages of the Directors appointed and re-designated in the year.

Nomination Committee

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

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

In 2009, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition of the Board;
- reviewed the appointments, resignations and re-designation of Directors;
- determined and recommended to the Board the term of office of the Directors appointed and re-designated during the year; and
- assessed the independence of the Independent Non-executive Director appointed in the year.

Accountability and Audit

Financial reporting

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

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

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

The annual and interim results of the Group are announced in a timely manner within four months and three months respectively after the end of the respective financial periods. The integrity of the financial statements is monitored by the Audit Committee. A statement of Directors' responsibility for financial statements is set out in the Directors' Report on pages 39 to 51. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 52.

Accountability and Audit *(Continued)*

Internal controls

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

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

The Board, through the internal audit division of the Company, conducts regular reviews on the effectiveness of the Group's internal control system every year and will execute relevant enhancement and rectification processes accordingly.

To cope with the intensifying demand for a more effective and efficient internal control system with the increasing complexity of the Group in terms of business scope and corporate size, the Company set up an internal audit division responsible for monitoring the internal control systems of the Group as planned in the year. The internal auditor assessed and reported on the adequacy and effectiveness of the established internal controls of the Group for the reporting year by performing comprehensive reviews and testing. No major deficiencies were identified in the reviews.

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

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

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

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

Non-compete Undertakings

In order to protect the best interests of the Group and uphold the integrity of independence from its controlling shareholder, CIMC, the Company entered into the Deed of Non-compete Undertakings with CIMC on 1 June 2009.

CIMC has given to the Company a letter of annual declaration where it declared, to the best of the knowledge of its board of directors and management, that it had been in compliance with all the non-competition undertakings and all other provisions set out in the Deed throughout the period from 1 June 2009 to 31 December 2009.

After reviewing the annual declaration and relevant information provided by CIMC, the Independent Non-executive Directors were of the view, to the best of their knowledge, that proper compliance on and enforcement of the Deed of Non-compete Undertakings was in place throughout the period from 1 June 2009 to 31 December 2009.

Details of the Deed are set out in the circular of the Company dated 3 June 2009.

Communication with Shareholders

Effective communication

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

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

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

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

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

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

Shareholders' rights

Any shareholder is encouraged and entitled to attend all general meetings, provided that their shares have been recorded in the register of members of the Company. Prior notice of general meetings will be given to all registered shareholders by post at least 20 clear business days' notice for AGMs and at least 10 clear business days' notice for all other general meetings.

In general meetings, all resolutions will be put to vote by polls pursuant to the Listing Rules and the Articles. The chairman of a general meeting will explain the detailed procedures for conducting a poll at the commencement of a meeting and address queries from shareholders.

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

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

General meetings held in 2009

In 2009, the Company held one AGM and one EGM.

The most recent general meeting was the EGM held on 3 February 2010 at Room Mont Blanc, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong. Two resolutions were proposed in the meeting and 100% of votes were cast in favour of each of the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. Extract of the resolutions are as follows:

- the approval of the Revised Aggregated Annual Caps; and

- the re-election of Mr. Tsui Kei Pang as an Independent Non-executive Director.

Full text of the above resolutions is set out in the notice of EGM of the Company dated 18 January 2010. The poll results of the EGM have been published on the websites of the Stock Exchange and the Company.

Investor relations contacts

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

By phone	:	(852) 2528 9386
By fax	:	(852) 2865 9877
By post	:	Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong
By email	:	enric@enric.com.hk

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

Changes of the Articles of Association

During the year ended 31 December 2009, certain amendments were made to the Articles.

Details of the changes can be referred to the notice of EGM of the Company dated 3 June 2009 and the announcement of the Company dated 26 June 2009.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2010

Directors' Report

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

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the Group are the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used in energy, chemical and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

Financial Statements

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

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

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

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

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

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at such date are set out in the financial statements on pages 53 to 121.

Dividends and Reserves

The Directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: nil).

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements and the consolidated statement of changes in equity.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2009 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	4.9%	–
Five largest customers in aggregate	16.5%	–
The largest supplier	–	10.0%
Five largest suppliers in aggregate *(Note 1)*	–	32.7%

Notes:

1. One of the top five suppliers of the Group is a company in which CIMC, holding more than 5% of the issued shares of the Company as at 31 December 2009, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

Retirement Schemes

The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. In Europe, the Group operates various qualified defined benefit pension plans which are funded through payments to insurance companies. Particulars of retirement benefits are set out in note 36 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB379,000 (2008: RMB1,400).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2009 are set out in note 27 to the financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

Directors

At the date of this report, the Board comprised:

Executive Directors

Mr. Zhao Qingsheng *(Chairman)*
Mr. Gao Xiang *(General Manager)*
Mr. Jin Jianlong
Mr. Yu Yuqun

Non-executive Directors

Mr. Jin Yongsheng
Mr. Petrus Gerardus Maria van der Burg

Independent Non-executive Directors

Mr. Wong Chun Ho
Mr. Gao Zhengping
Mr. Tsui Kei Pang

On 11 May 2009, Mr. Yang Yu resigned as a Non-executive Director.

On 30 September 2009, Mr. Wu Fapei, Mr. Shi Caixing and Mr. Qin Gang resigned as Executive Directors, Mr. Shou Binan resigned as an Independent Non-executive Director, and Mr. Jin Yongsheng was re-designated as a Non-executive Director from an Executive Director. Mr. Gao Xiang and Mr. van der Burg were appointed as an Executive Director and a Non-executive Director respectively on the same date.

On 11 November 2009, Mr. Tsui Kei Pang was appointed as an Independent Non-executive Director.

At the forthcoming AGM, (i) Mr. Gao Xiang and Mr. van der Burg will retire and, being eligible, offer themselves for re-election in accordance with article 86(3) of the Articles; and (ii) Mr. Jin Yongsheng, Mr. Wong Chun Ho and Mr. Gao Zhengping will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code, were as follows:

Long position in the shares of the Company

Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
Mr. Zhao	Beneficial owner	Ordinary	214,000	0.02%
	Beneficiary of a trust *(Note 2)*	Ordinary *(Note 3)*	40,141,626	4.68%
	Beneficiary of a trust *(Note 2)*	Preference *(Note 3)*	138,414,166	13.63%
Jin Yongsheng	Beneficial owner	Ordinary	246,000	0.03%
Mr. van der Burg	Interest of controlled corporation	Ordinary	103,905,085 *(Note 4)*	12.12%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 31 December 2009, which were 857,452,201 and 1,015,641,321 respectively.

2. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, Shenzhen International Trust & Investment Co., Limited has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,770,000 units, of which 117,870,000 units have been allocated. Mr. Zhao, an Executive Director, is a participant in the Stock Credit Plan, with 3,000,000 allocated units. CIMC Vehicle Group holds 100% interests of CIMC Vehicle. Hence, Mr. Zhao is deemed to be interested in the relevant class of shares of the Company held by CIMC Vehicle as a beneficiary of a trust.

3. The ordinary shares refer to such shares and the preference shares refer to the non-redeemable convertible preference shares, both allotted and issued to CIMC Vehicle on 14 August 2009 pursuant to the China Acquisition Agreement. CIMC Vehicle is controlled by CIMC as to 80%.

4. These 103,905,085 ordinary shares are held by PGM, which is controlled by Mr. van der Burg.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009 under a share option scheme approved by the shareholders on 12 July 2006 (the "Share Option Scheme" or the "Scheme"). Details of which were set out under the section headed "Share Options" on pages 45 to 46.

Directors' Interests in Shares *(Continued)*

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares held	Shareholding %
CIMC Vehicle Group	Mr. Zhao	Beneficiary of a trust	3,000,000	1.36% *(Note)*

Note:

The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2009, which was 220,770,000.

Save as disclosed above, as at 31 December 2009, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 31 December 2009, nor have any such rights been granted or exercised during the year.

Substantial Shareholders' Interests in Shares

As at 31 December 2009, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
CIMC	Interest of controlled corporation	Ordinary	485,250,116 *(Note 2)*	56.59%
	Interest of controlled corporation	Preference	1,015,641,321 *(Note 3)*	100%
CIMC HK	Interest of controlled corporation	Ordinary	190,703,000 *(Note 4)*	22.24%
	Beneficial owner	Ordinary	254,405,490	29.67%
	Beneficial owner	Preference	877,227,155	86.37%
Charm Wise	Beneficial owner	Ordinary	190,703,000 *(Note 4)*	22.24%
PGM	Beneficial owner	Ordinary	103,905,085 *(Note 5)*	12.12%

Substantial Shareholders' Interests in Shares *(Continued)*

Substantial shareholder	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
Wang Yusuo (“Mr. Wang”)	Interest of controlled corporation	Ordinary	43,441,000 *(Note 6)*	5.07%
	Beneficial owner	Ordinary	2,000,000 *(Note 7)*	0.23%
Zhao Baoju (“Ms. Zhao”)	Interest of controlled corporation	Ordinary	43,441,000 *(Note 6)*	5.07%
	Interest of spouse	Ordinary	2,000,000 *(Note 7)*	0.23%
Xinao Group International Investment Limited (“XGII”)	Beneficial owner	Ordinary	43,441,000 *(Note 6)*	5.07%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 31 December 2009, which were 857,452,201 and 1,015,641,321 respectively.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 254,405,490 ordinary shares held by CIMC HK and 40,141,626 ordinary shares held by CIMC Vehicle. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC, and CIMC Vehicle is controlled by CIMC as to 80%.

3. These preference shares refer to the non-redeemable convertible preference shares allotted and issued to CIMC Vehicle on 14 August 2009 pursuant to the China Acquisition Agreement. CIMC Vehicle is controlled by CIMC as to 80%.

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

5. These ordinary shares were allotted and issued to PGM on 14 August 2009 pursuant to the European Acquisition Agreement. PGM is fully controlled by Mr. van der Burg, a Director.

6. The three references to 43,441,000 ordinary shares refer to the same block of shares held by XGII, which is beneficially owned as to 50% by Mr. Wang and as to 50% by Ms. Zhao.

7. These ordinary shares are beneficially owned by Mr. Wang, and Ms. Zhao, being his spouse, is deemed to be interested in such shares.

Save as disclosed above, as at 31 December 2009, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company; and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company has adopted the Share Option Scheme pursuant to an ordinary resolution passed at an EGM on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group.

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

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

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

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

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

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

Share Options *(Continued)*

On 11 November 2009, the Company granted share options to certain eligible persons to subscribe for a total of 43,750,000 ordinary shares of HK$0.01 each in the capital of the Company under the Share Option Scheme. All the options granted were accepted by the respective participants. During the year ended 31 December 2009, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period *(Note 1)*	Number of share options outstanding at 1 January 2009	granted during the year	exercised during the year	outstanding at 31 December 2009
Directors						
Mr. Zhao	11/11/2009	11/11/2010 – 10/11/2019	–	1,000,000	–	1,000,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	–	1,000,000	–	1,000,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	–	800,000	–	800,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	–	800,000	–	800,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	–	500,000	–	500,000
Mr. van der Burg	11/11/2009	11/11/2010 – 10/11/2019	–	1,000,000	–	1,000,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	–	500,000	–	500,000
Gao Zhengping	11/11/2009	11/11/2010 – 10/11/2019	–	500,000	–	500,000
			–	6,100,000	–	6,100,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	–	28,300,000	–	28,300,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	–	9,350,000	–	9,350,000
Total			–	43,750,000	–	43,750,000

Notes:

1. Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable upon the expiry of 12 months from 11 November 2009 (i.e. from 11 November 2010) and up to 10 November 2019; another 50% of the options granted to any grantee become exercisable upon the expiry of 24 months from 11 November 2009 (i.e. from 11 November 2011) and up to 10 November 2019.

2. The exercise price of all the options granted is HK$4.00 per share.

3. The closing price per share immediately before the date of grant was HK$3.80.

4. The valuation of fair value of the options granted was measured based on a binomial option pricing model. The fair value per share on the date of grant was HK$1.64. The accounting policy adopted for the options granted was set out in note 1(t)(ii) and note 30 to the financial statements.

As at the date of this report, a total of 770,000 shares, representing 0.09% of the issued ordinary share capital of the Company are available for grant under the Scheme.

Save as disclosed above, no options were granted, lapsed or cancelled during the year ended 31 December 2009.

Directors' Interests in Competing Business

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

Director	Entity	Description of business	Nature of interest of the Director in the entity
Mr. Zhao	Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") (南通中集交通儲運裝備製造有限公司)	The manufacturing and sales of special vehicles	director and chairman of the board
	Holvrieka (China) Co., Ltd. ("NCLS") (南通中集大型儲罐有限公司)	The design, manufacturing and sales of tanks and related parts, and the provision of integrated project engineering services, and repair and maintenance services	director and chairman of the board
	TGE Gas Engineering GmbH, Bonn ("TGE")	EPC or EP and CS (engineering, procurement and construction supervision) or project engineering contracts	director and chairman of the board
Gao Xiang	Nantong Transport	(same as above)	director
	NCLS	(same as above)	director
	TGE	(same as above)	director
Jin Jianlong	Nantong Transport	(same as above)	director
	NCLS	(same as above)	director
Mr. van der Burg	Nantong Transport	(same as above)	director
	NCLS	(same as above)	director
	Hobur Twente B.V.	the design, manufacturing and sales of LPG vehicles	Interest of controlled corporation

Directors' Interests in Competing Business *(Continued)*

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used in energy, chemical and liquid food industries.

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

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

The decision-making mechanism of the Board set out in the Articles includes provisions to avoid conflicts of interest by providing, among other things, that (i) each Director is entitled to one vote at Board meetings and decisions of the Board are passed by a majority of votes; and (ii) in the event of any conflict of interests, such as where it involves the passing of resolutions in relation to transactions where any Director is materially interested, the relevant Director shall declare his interests and, unless otherwise specifically requested by the remaining Directors, excuse himself from the relevant meeting. As a current practice, any matter involving conflict of interests will be passed in a Board meeting with the presence of Independent Non-executive Directors who, and whose associates, have no interest therein.

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

Connected Transactions and Interests in Contracts

Continuing connected transactions subject to annual review

During the year, the Group carried out the following transactions which constituted connected transactions under Chapter 14A of the Listing Rules and were subject to annual review:

On 1 November 2007, the Group entered into a product sales agreement with CIMC *(Note 1)* under which the Group agreed to purchase from the CIMC Group certain transportation equipment for manufacturing operation purpose, for a term commencing from 1 November 2007 to 31 December 2009. During the year, the Group's purchase from the CIMC Group amounted to RMB49,407,000.

On 31 December 2007, the Group entered into a product sales agreement with CIMC *(Note 1)* under which the Group agreed to sell to the CIMC Group certain storage and transportation equipment for the purpose of providing finance lease by the CIMC Group to customers referred by the Group and/or for the purpose of manufacturing operation of the CIMC Group, for a term of three years commencing from 1 January 2008. During the year, the Group's sale to the CIMC Group was RMB91,142,000.

On 14 August 2009, the Group entered into a master supply of spare parts agreement with CIMC for the provision of spare parts by the CIMC Group, for a term from 14 August 2009 to 31 December 2011. During the year, the Group's purchase from the CIMC Group amounted to RMB9,106,000.

On 14 August 2009, the Group entered into a master supply of spare parts agreement with Burg Industries B.V. ("Burg Industries") *(Note 2)* for the provision of spare parts by Burg Industries and its subsidiaries and associates (the "Burg Industries Group"), for a term from 14 August 2009 to 31 December 2011. During the year, the Group's purchase from the Burg Industries Group amounted to RMB2,177,000.

On 14 August 2009, the Group entered into a master sale of products agreement with CIMC under which the Group agreed to sell to the CIMC Group certain products, including but not limited to, oil tanks, pressure cylinder tanks and storage tanks, for a term from 14 August 2009 to 31 December 2011. During the year, the Group's sale to the CIMC Group was RMB23,240,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

On 14 August 2009, the Group entered into a master processing services agreement with CIMC for the provision of processing services, site leasing and other related services by the CIMC Group, for a term from 14 August 2009 to 31 December 2011. No service charge was incurred during the year.

On 14 August 2009, the Group entered into a master comprehensive services agreement with CIMC for the provision of comprehensive services (including staff catering and health services) and miscellaneous general services by the CIMC Group, for a term from 14 August 2009 to 31 December 2011. During the year, the service charge incurred was RMB1,832,000.

On 14 August 2009, the Group entered into a master sale of tanks agreement with Burg Industries under which the Group agreed to sell to the Burg Industries Group tanks for the production of road tankers of the Burg Industries Group, for a term from 14 August 2009 to 31 December 2011. During the year, the Group's sale to the Burg Industries Group was RMB20,113,000.

On 14 August 2009, Holvrieka Holding B.V. ("Holvrieka Holding", a wholly-owned subsidiary of the Company) entered into a management agreement with Burg Industries for the provision of management services by the Burg Industries Group to Holvrieka Holding and its subsidiaries, for a term from 14 August 2009 to 31 December 2011. During the year, the service charge incurred was RMB4,275,000.

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

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

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

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

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

1. have received the approval of the Board;

2. have been entered into in accordance with the pricing policies of the Company;

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

4. have not exceeded the relevant annual caps.

Connected Transactions and Interests in Contracts *(Continued)*

Interests in contracts of significance

The Company entered into the China Acquisition Agreement with CIMC HK, a wholly-owned subsidiary of CIMC (the controlling shareholder of the Company) and CIMC Vehicle, controlled by CIMC as to 80% on 2 September 2008. The transactions contemplated thereunder were completed on 14 August 2009.

The Company entered into the European Acquisition Agreement with CIMC HK, a wholly-owned subsidiary of CIMC, and PGM, controlled by Mr. van der Burg, a Director on 2 September 2008. The transactions contemplated thereunder were completed on the 14 August 2009.

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

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

Notes:

1. CIMC is the holding company of Charm Wise and CIMC HK, which are substantial shareholder and controlling shareholder of the Company respectively.

2. Burg Industries is a wholly-owned subsidiary of CIMC Burg B.V., which, in turn, is ultimately owned as to 80% by CIMC and as to 20% by PGM, a substantial shareholder of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code in their securities transactions throughout the year ended 31 December 2009.

Confirmation of Independence

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

Corporate Governance

The Company complied with all the code provisions of the CG Code throughout the year, except that the Chairman of the Board was unable to attend the AGM held on 25 May 2009 due to health reasons. Alternatively, the then Chief Executive Officer attended the AGM for addressing shareholders' queries.

The Company's corporate governance report is set out on pages 26 to 38. Details of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are given in the same report. The Audit Committee has reviewed and discussed with management the annual results and the audited financial statements for the year ended 31 December 2009.

Change of Company Name and Stock Short Name

The name of the Company has been changed from "Enric Energy Equipment Holdings Limited 安瑞科能源裝備控股有限公司" to "CIMC Enric Holdings Limited 中集安瑞科控股有限公司" with effect from 26 June 2009.

The stock short name for trading in the shares of the Company on the Stock Exchange has also been changed from "Enric Holdings" to "CIMC Enric" in English and from "安瑞科控股" to "中集安瑞科" in Chinese.

Change of Issued Share Capital

The completion of the transactions contemplated under the China Acquisition Agreement and the European Acquisition Agreement took place on 14 August 2009.

Upon the issue of new ordinary shares and new convertible preference shares of the Company at the completion as consideration for the transactions, the issued share capital of the Company was enlarged and changed. It consisted of 857,452,201 ordinary shares and 1,015,641,321 non-redeemable convertible preference shares at the date of this report.

Public Float

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

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

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

Auditor

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

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2010

Independent Auditor's Report

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

We have audited the consolidated financial statements of CIMC Enric Holdings Limited (the "Company") set out on pages 53 to 121, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

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

19 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Turnover	4&13	**3,057,466**	5,785,542
Cost of sales		**(2,511,695)**	(4,657,861)
Gross profit		**545,771**	1,127,681
Change in fair value of derivative financial instruments		**14,426**	(24,060)
Other revenue	5	**118,176**	97,310
Other net income/(expenses)	5	**1,024**	(1,330)
Selling expenses		**(120,115)**	(186,827)
Administrative expenses		**(284,395)**	(299,516)
Profit from operations		**274,887**	713,258
Finance costs	6(a)	**(40,242)**	(57,136)
Profit before taxation	6	**234,645**	656,122
Income tax	7	**(34,124)**	(103,517)
Profit for the year		**200,521**	552,605
Attributable to:			
Equity shareholders of the Company		**199,731**	552,313
Minority interests		**790**	292
Profit for the year		**200,521**	552,605
Earnings per share	12		
– Basic		**RMB0.107**	RMB0.295
– Diluted		**RMB0.107**	RMB0.295

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Profit for the year		**200,521**	552,605
Other comprehensive income for the year			
Exchange difference on translation of:			
– financial statements of overseas subsidiaries		**7,859**	(66,619)
Total comprehensive income for the year		**208,380**	485,986
Attributable to:			
Equity shareholders of the Company		**207,590**	485,694
Minority interests		**790**	292
Total comprehensive income for the year		**208,380**	485,986

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	14(a)	**884,932**	855,386
Construction in progress	15	**135,411**	78,875
Lease prepayments	16	**203,027**	110,549
Intangible assets	17	**55,857**	61,101
Prepayments		**190**	17,321
Goodwill	19	**43,046**	15,821
Deferred tax assets	32(b)	**32,848**	35,919
Other financial assets	20	**5,689**	9,253
		1,361,000	1,184,225
Current assets			
Derivative financial instruments	21	**39**	87
Inventories	22	**905,999**	1,377,116
Trade and bills receivable	23	**901,961**	994,365
Deposits, other receivables and prepayments	24	**242,272**	333,524
Amounts due from related parties	38(b)(i)	**12,610**	166,368
Cash at bank and in hand	26	**872,640**	341,635
		2,935,521	3,213,095
Current liabilities			
Derivative financial instruments	21	**261**	14,539
Bank loans and overdrafts	27	**153,587**	234,813
Trade and bills payable	28	**651,883**	632,650
Other payables and accrued expenses	29	**536,127**	528,610
Income tax payable	32(a)	**37,488**	43,939
Amounts due to related parties	38(b)(ii)	**47,342**	437,591
Provisions	31	**24,112**	33,384
Employee benefit liabilities	34	**255**	290
		1,451,055	1,925,816
Net current assets		**1,484,466**	1,287,279
Total assets less current liabilities		**2,845,466**	2,471,504

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Non-current liabilities			
Amounts due to related parties	38(b)(ii)	**–**	7,350
Provisions	31	**18,803**	4,453
Deferred income	33	**110,036**	–
Employee benefit liabilities	34	**2,293**	2,424
Deferred tax liabilities	32(b)	**99,278**	105,322
Bank loans	27	**39,564**	–
		269,974	119,549
NET ASSETS		**2,575,492**	2,351,955
CAPITAL AND RESERVES			
Share capital	35(a)	**17,235**	4,769
Reserves		**2,548,930**	2,347,186
Equity attributable to equity shareholders of the Company		**2,566,165**	2,351,955
Minority interests		**9,327**	–
TOTAL EQUITY		**2,575,492**	2,351,955

Approved and authorised for issue by the Board of Directors on 19 March 2010.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 61 to 121 form part of these financial statements.

Balance Sheet
At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	18	**4,641,486**	119,825
Property, plant and equipment	14(b)	**670**	–
		4,642,156	119,825
Current assets			
Other receivables		**977**	–
Amounts due from a subsidiary	39	**228,754**	284,423
Cash at bank and in hand	26	**1,200**	69
		230,931	284,492
Current liabilities			
Other payables and accrued expenses		**269**	–
Amounts due to related parties		**59**	–
		328	–
Net current assets		**230,603**	284,492
Total assets less current liabilities		**4,872,759**	404,317
NET ASSETS		**4,872,759**	404,317
CAPITAL AND RESERVES	35		
Share capital		**17,235**	4,769
Reserves		**4,855,524**	399,548
TOTAL EQUITY		**4,872,759**	404,317

Approved and authorised for issue by the Board of Directors on 19 March 2010.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000 35(c)(i)	Contributed surplus RMB'000 35(c)(ii)	Capital reserve RMB'000 35(c)(iii)	Exchange reserve RMB'000	General reserve fund RMB'000 35(c)(iv)	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008 (as previously reported)	4,769	287,517	15,709	–	–	37,640	300,207	645,842	–	645,842
Adjustment for the acquisitions (note 1(b))	–	–	798,656	–	(55,197)	3,112	468,541	1,215,112	5,190	1,220,302
At 1 January 2008 (restated)	4,769	287,517	814,365	–	(55,197)	40,752	768,748	1,860,954	5,190	1,866,144
Transfer to general reserve	–	–	–	–	–	15,046	(15,046)	–	–	–
Acquisition of minority interests	–	–	5,307	–	–	–	–	5,307	(5,482)	(175)
Total comprehensive income for the year	–	–	–	–	(66,619)	–	552,313	485,694	292	485,986
At 31 December 2008 (restated)	4,769	287,517	819,672	–	(121,816)	55,798	1,306,015	2,351,955	–	2,351,955
At 1 January 2009 (restated)	4,769	287,517	819,672	–	(121,816)	55,798	1,306,015	2,351,955	–	2,351,955
Issuance of share	12,466	–	(12,466)	–	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–	8,794	8,794
Equity-settled share-based transactions	–	–	–	6,620	–	–	–	6,620	–	6,620
Dividend declared by a subsidiary in respect of the current year	–	–	–	–	–	–	–	–	(257)	(257)
Transfer to general reserve	–	–	–	–	–	11,100	(11,100)	–	–	–
Total comprehensive income for the year	–	–	–	–	7,859	–	199,731	207,590	790	208,380
At 31 December 2009	17,235	287,517	807,206	6,620	(113,957)	66,898	1,494,646	2,566,165	9,327	2,575,492

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Operating activities			
Profit before taxation		**234,645**	656,122
Adjustments for:			
Depreciation and amortisation		**97,697**	88,487
Change in fair value of derivative financial instruments		**(14,426)**	24,060
Interest income	5	**(3,289)**	(24,588)
Interest charges	6(a)	**22,095**	88,879
Loss on disposal of property, plant and equipment	5	**1,118**	2,299
Equity-settled share-based payment expenses	6(b)	**6,620**	–
Gain from acquisition of minority interests		**–**	(168)
Foreign exchange loss/(gain)	6(a)	**14,371**	(34,241)
Operating profit before changes in working capital		**358,831**	800,850
Decrease/(increase) in inventories		**505,488**	(239,242)
Decrease in trade and bills receivable		**97,865**	109,282
Decrease/(increase) in deposits, other receivables and prepayments		**128,007**	(2,185)
Decrease/(increase) in amounts due from related parties		**153,758**	(40,129)
Increase in restricted bank deposits for letters of credit		**(34,162)**	(22,966)
Increase in trade and bills payable		**8,780**	84,467
Increase/(decrease) in other payables and accrued expenses		**(104,098)**	84,583
Decrease in amounts due to related parties		**(397,599)**	(124,970)
Increase/(decrease) in employee benefit liabilities		**(166)**	30
Increase/(decrease) in deferred income		**110,036**	(1,400)
Increase in provisions		**5,078**	7,134
Cash generated from operations		**831,818**	655,454
Income tax paid	32(a)	**(43,548)**	(121,503)
Net cash from operating activities		**788,270**	533,951

The notes on pages 61 to 121 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000 (restated)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(158,576)**	(214,533)
Payment for acquisition of lease prepayments		**(96,213)**	(6,786)
Payment for intangible assets		**(2,224)**	(3,157)
Loans to a related party		**–**	(45,733)
Proceeds from disposal of property, plant and equipment		**13,230**	4,618
Proceeds from sale of held-to-maturity debt securities		**3,623**	8,974
Government grants		**76,621**	7,095
Prepayment for acquisition of a subsidiary		**–**	(17,070)
Acquisition of a subsidiary		**(37,278)**	–
Interest received		**3,289**	24,588
Net cash used in investing activities		**(197,528)**	(242,004)
Financing activities			
Proceeds from related parties borrowings		**–**	20,326
Proceeds from new bank loans		**440,675**	1,481,969
Repayment of related parties borrowings		**–**	(38,264)
Repayment of bank loans		**(492,685)**	(1,669,526)
Interest paid		**(22,095)**	(88,879)
Proceeds from settlement of derivatives		**(14,230)**	–
Dividend paid by subsidiaries to their former equity shareholders before acquisition by the Company		**–**	(35,416)
Net cash used in financing activities		**(88,335)**	(329,790)
Net increase /(decrease) in cash and cash equivalents		**502,407**	(37,843)
Cash and cash equivalents at 1 January		**278,422**	328,624
Effect of foreign exchange rate changes		**2,868**	(12,359)
Cash and cash equivalents at 31 December		**783,697**	278,422

Note:

During the year, the Company engaged in non-cash investing activities in the way of acquiring certain subsidiaries by issuing ordinary shares and non-redeemable convertible preference shares as consideration and details of which are set out in note 1(b).

The notes on pages 61 to 121 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (collectively referred to as the "Group") and are expressed in Renminbi unless otherwise indicated.

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

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

(b) Basis of preparation of the financial statements

On 14 August 2009, the following very substantial acquisitions were completed:

- the Company acquired from China International Marine Containers (Hong Kong) Limited ("CIMC HK") and CIMC Vehicle Investment Holdings Company Limited ("CIMC Vehicle") 80.04% and 19.96%, respectively, of the issued share capital of Sound Winner Holdings Limited ("Sound Winner"); and

- the Company acquired from CIMC HK and P.G.M. Holding B.V. ("PGM") 80% and 20%, respectively, the issued share capital of Full Medal Limited ("Full Medal").

The details of the above transactions are set out in a circular to shareholders of the Company dated 3 June 2009.

Since the Company, Sound Winner and its subsidiaries ("Sound Winner Group") and Full Medal and its subsidiaries ("Full Medal Group") are ultimately controlled by China International Marine Containers (Group) Co., Ltd. ("CIMC") both before and after the abovementioned acquisitions, these acquisitions are regarded as "common control combinations". Accordingly, the Company has applied merger accounting to account for the acquisitions of Sound Winner Group and Full Medal Group in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combinations occur, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combinations had occurred from the date when the combining entities first came under the control of the controlling party. Accordingly, the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group throughout the years ended 31 December 2008 and 2009, rather than from 14 August 2009. The consolidated financial statements of the Group for the years ended 31 December 2008 and 2009 include the financial statements of the Company and its subsidiaries with effect from 1 January 2008 or where their respective dates of establishment are at a date later than 1 January 2008, from the respective dates of establishment, as if the current combined entity had been in existence throughout the years ended 31 December 2008 and 2009.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Reconciliation of the results of operations for the year ended 31 December 2008, the financial conditions as at 31 December 2008 and the equity attributable to equity shareholders of the Company as at 31 December 2008 and 1 January 2008 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	The Group (as previously reported) RMB'000	Sound Winner Group RMB'000	Full Medal Group RMB'000	Combination adjustments(i) RMB'000	The Group (restated) RMB'000
Results of operations for the year ended 31 December 2008					
Revenue	1,237,280	3,315,167	1,234,118	(1,023)	5,785,542
Profit from operations	167,328	428,864	117,253	(187)	713,258
Basic earnings per share (RMB)	0.293	–	–	–	0.295
Financial conditions as at 31 December 2008					
Current assets	1,115,552	1,473,056	624,494	(7)	3,213,095
Total assets	1,440,495	2,010,596	946,423	(194)	4,397,320
Current liabilities	656,860	999,973	382,739	(113,756)	1,925,816
Total liabilities	660,246	1,022,593	476,282	(113,756)	2,045,365
Equity attributable to equity shareholders of the Company	780,249	988,003	470,141	113,562	2,351,955
Equity attributable to equity shareholders of the Company at 1 January 2008	645,842	683,229	434,295	97,588	1,860,954

(i) Pursuant to an agreement relating to the acquisitions, an amount of RMB130,000,000 due by a subsidiary in Sound Winner Group to CIMC Vehicle was waived in full.

In addition, included in the combination adjustments is the elimination of the inter-company balances and inter-company transactions between the Group, Full Medal Group and Sound Winner Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale or as trading securities (see note 1(f); and

– derivative financial instruments (see note 1(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Change in functional currency of the Company

On 14 August 2009, the Company determined to change the functional currency of the Company from Renminbi to Hong Kong Dollar following the acquisition of the subsidiaries mentioned in note 1(b) above. The change of functional currency is applied prospectively from the date of acquisition in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". Exchange differences arising from the translation of financial statements of the Company were recognised in the total comprehensive income of the Company. During the year ended 31 December 2009, the Company recognised RMB66,307,000 exchange losses arising from the translation of financial statements of the Company from Hong Kong Dollar to Renminbi in the total comprehensive income of the Company.

(d) Subsidiaries and minority interests

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

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

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

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

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

(e) Goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

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

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

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(f) Investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1(l)).

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

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

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

(i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note1(l)).

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

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

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

Buildings	10 to 30 years
Leasehold improvements	2 to 5 years
Machinery	3 to 12 years
Motor vehicles	3 to 6 years
Office equipment	3 to 10 years

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

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

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

No depreciation is provided for construction in progress.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets (other than goodwill)

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

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

(j) Lease prepayments

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

(k) Operating lease charges

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

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

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

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(l) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

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

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

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

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

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(w)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade and bills receivable”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Other payables and accrued expenses”.

(o) Trade and other receivables

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Interest-bearing borrowings

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

(q) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(p) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

(r) Trade and other payables

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

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

Pursuant to the relevant laws and regulations of the PRC, the PRC subsidiaries have joined a defined contribution basic retirement scheme for their employees arranged by the local Labour and Social Security Bureau. The subsidiaries make contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. The contributions are accrued in the year in which the associated services are rendered by employees. When employees retire, the local Labour and Social Security Bureau are responsible for the payment of the basic retirement benefits to the retired employees.

Besides the retirement benefits, pursuant to the relevant laws and regulations of the PRC, the PRC subsidiaries are obligated to make contributions to social security plans for employees, including housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance, at the applicable rate(s) based on the employees' salaries. The contributions are accrued in the year in which the associated services are rendered by employees.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

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

The pension plan for the Dutch entities is a multi-employer pension plan, which qualifies as a defined benefit plan. The Group accounts for this multi-employer plan as if it was a defined contribution plan, since the Group does not have access to information about this plan in order to account for it as a defined benefit plan. In addition, the Group has no available information about the surplus or deficit in the plan which may affect the amount of future contributions.

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Jubilee benefits

Jubilee benefits ascribed to past service are calculated and added to the staff remuneration provision. Changes in the provision are recognised in profit or loss.

(u) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

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

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

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Services

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

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

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

(x) Translation of foreign currencies

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

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

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(y) Borrowing costs

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

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

(z) Related parties

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

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

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

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

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

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

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

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

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial Instruments*
- Improvements to HKFRSs (2008)

The impact of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 13). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 21 about the fair value measurement of the group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments.

3 ACQUISITION OF A SUBSIDIARY

Business combination

On 28 August 2008, CIMC Enric (Jingmen) Energy Equipment Company Limited ("Enric Jingmen"), a wholly-owned subsidiary of the Company, entered into equity transfer agreements with independent third parties to acquire an aggregate of 80% equity interest in Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu") for a total consideration of RMB55,472,000. This acquisition has been completed on 25 July 2009.

Consideration transferred

	RMB'000
Cash	55,472

Identifiable assets acquired and liabilities assumed

The acquisition has the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	46,982	(23,134)	23,848
Construction in progress	102	(6)	96
Other financial assets	59	–	59
Lease prepayments	3,758	(3,758)	–
Intangible assets	–	583	583
Inventories	33,658	713	34,371
Trade receivables	5,229	232	5,461
Deposits, prepayments and other receivables	36,788	(33)	36,755
Cash and cash equivalents	1,124	–	1,124
Minority interests	(1,682)	–	(1,682)
Trade payables	(10,453)	–	(10,453)
Accrued expenses and other payables	(34,848)		(34,848)
Loans and borrowings	(20,000)	–	(20,000)
Deferred tax assets	548	(548)	–
Net identifiable assets and liabilities of Hongtu	61,265	(25,951)	35,314

Goodwill

Total consideration transferred	55,472
Net identifiable assets and liabilities attributable to the Group	28,251
Goodwill on the acquisition	27,221

3 ACQUISITION OF A SUBSIDIARY *(Continued)*

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value can be measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value can be measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

4 TURNOVER

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The major products of the Group include seamless pressure cylinders, natural gas refueling station systems and trailers, tank containers, compressed natural gas ("CNG") trailers, liquefied natural gas ("LNG") trailers, specialty gas trailers, cryogenic tanks and liquid food tanks.

5 OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

		2009 RMB'000	2008 RMB'000 (restated)
Other revenue			
Government grants	(i)	**76,621**	7,095
Other operating revenue	(ii)	**38,199**	64,447
Interest income from bank deposits		**3,289**	24,588
Others		**67**	1,180
		118,176	97,310

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

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

	2009 RMB'000	2008 RMB'000 (restated)
Other net income/(expenses)		
Net loss on disposal of property, plant and equipment	**(1,118)**	(2,299)
Charitable donations	**(379)**	(318)
Other net income	**2,521**	1,287
	1,024	(1,330)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2009 RMB'000	2008 RMB'000 (restated)
Interest on bank loans and other borrowings	**22,095**	88,879
Foreign exchange loss/(gain)	**14,371**	(34,241)
Finance charges	**3,776**	2,498
	40,242	57,136

(b) Staff costs#

	2009 RMB'000	2008 RMB'000 (restated)
Salaries, wages and allowances	**388,331**	412,617
Contributions to retirement schemes (note 36)	**18,543**	26,998
Equity-settled share-based payment expenses (note 30)	**6,620**	–
	413,494	439,615

(c) Other items

	2009 RMB'000	2008 RMB'000 (restated)
Cost of inventories #	**2,511,695**	4,657,861
Auditors' remuneration	**4,876**	5,764
Depreciation of property, plant and equipment #	**85,395**	77,608
Amortisation of intangible assets	**8,591**	8,534
Amortisation of lease prepayments	**3,711**	2,345
Impairment losses for:		
– Trade receivables	**20,496**	2,401
– Other receivables	**291**	397
Write down of inventories	**32,013**	48,546
Reversal of write down of inventories	**(48,648)**	(764)
Research and development costs	**43,049**	30,047
Operating lease charges for property rental	**4,320**	4,656
Provision for product warranties	**18,380**	21,777

\# *Cost of inventories includes RMB299,357,000 (2008: RMB 355,085,000 as restated) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.*

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000 (restated)
Current tax		
Provision for the year	36,626	112,467
Under/(over)-provision in respect of prior years	1,268	(142)
	37,894	112,325
Deferred tax		
Origination and reversal of temporary differences	(3,770)	(8,808)
	34,124	103,517

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

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

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

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

During the year ended 31 December 2009, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and accordingly the Company's subsidiaries in PRC were subject to income tax at 12.5% to 25% (2008: 12.5% to 25%).

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

Pursuant to the new tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax from 1 January 2008 and onwards. Deferred tax liability amounting to RMB27,240,000 (2008: RMB 22,120,000 as restated) (see note 32(b)) had been recognised in this regard so far.

Taxation of Dutch subsidiaries, Belgian subsidiaries and Danish subsidiaries are charged at the current rates of 25.50%, 33.99% and 25% respectively ruling in the relevant countries and are calculated on a stand-alone basis.

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

	2009 RMB'000	2008 RMB'000 (restated)
Profit before taxation	**234,645**	656,122
Notional tax on profit before taxation, calculated at the applicable rates	**73,198**	166,700
Tax effect of tax holiday granted	**(27,133)**	(78,372)
Tax incentives granted	**(19,892)**	(2,279)
Effect of changes in tax rates	**(2,330)**	(6,917)
Tax effect of non-deductible expenses	**2,905**	1,297
Tax effect of unused tax losses not recognised	**988**	1,110
Deferred tax charge on distributable profits	**5,120**	22,120
Under/(over)-provision in prior years	**1,268**	(142)
Actual tax expense	**34,124**	103,517

8 DIRECTORS' REMUNERATION

Details of directors' remuneration for the year ended 31 December 2009 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments (vi) RMB'000	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	151	151
Executive Directors:							
Jin Yongsheng (i)	–	358	4	–	362	76	438
Gao Xiang (ii)	–	124	2	–	126	151	277
Wu Fapei (v)	–	–	–	–	–	–	–
Jin Jianlong	–	–	–	–	–	121	121
Yu Yuqun	–	–	–	–	–	121	121
Shi Caixing (v)	–	6	–	–	6	–	6
Qin Gang (v)	–	–	–	–	–	–	–
Non-executive Directors:							
Yang Yu (iv)	38	–	–	–	38	–	38
Petrus Gerardus Maria van der Burg (ii)	–	–	–	–	–	151	151
Independent Non-executive Directors:							
Gao Zhengping	106	–	–	–	106	76	182
Shou Binan (v)	79	–	–	–	79	–	79
Tsui Kei Pang (iii)	15	–	–	–	15	–	15
Wong Chun Ho	106	–	–	–	106	76	182
	344	488	6	–	838	923	1,761

(i) Re-designated as a Non-executive Director on 30 September 2009.
(ii) Appointed on 30 September 2009.
(iii) Appointed on 11 November 2009.
(iv) Resigned on 11 May 2009.
(v) Resigned on 30 September 2009.
(vi) These represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 30.

8 DIRECTORS' REMUNERATION *(Continued)*

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	–	–
Executive Directors:							
Jin Yongsheng	–	621	5	–	626	–	626
Wu Fapei	–	–	–	–	–	–	–
Jin Jianlong	–	–	–	–	–	–	–
Yu Yuqun	–	–	–	–	–	–	–
Shi Caixing	–	–	–	–	–	–	–
Qin Gang	–	–	–	–	–	–	–
Non-executive Director:							
Yang Yu	109	–	–	–	109	–	109
Independent Non-executive Directors:							
Gao Zhengping	109	–	–	–	109	–	109
Shou Binan	109	–	–	–	109	–	109
Wong Chun Ho	109	–	–	–	109	–	109
	436	621	5	–	1,062	–	1,062

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five (2008: five) individuals with the highest emoluments are as follows:

	2009 RMB'000	2008 RMB'000 (restated)
Salaries, allowances and benefits in kind	**7,530**	6,738
Retirement scheme contributions	**292**	478
	7,822	7,216

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the five (2008: five) individuals with the highest emoluments are within the following band:

	2009 Number of Individuals	2008 Number of individuals (restated)
HKD1,000,000 – HKD1,500,000	**2**	2
HKD1,500,001 – HKD2,000,000	**2**	3
HKD2,000,001 – HKD2,500,000	**–**	–
HKD2,500,001 – HKD3,000,000	**1**	–

10 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes a loss of RMB17,374,000 (2008: RMB284,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2009 (2008: Nil).

12 EARNINGS PER SHARE

As detailed in Note 1(b), the Company has applied merger accounting to account for the acquisitions of Sound Winner Group and Full Medal Group which are under common control in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” under which the consolidated financial statements have been prepared on the basis that the Company was the holding company of the acquired subsidiaries for both years presented, rather than from 14 August 2009 (date of completion). The Company has issued 398,452,201 ordinary shares and 1,015,641,321 non-redeemable convertible preference shares as consideration for the acquisitions. In the calculation of weighted average number of ordinary shares and non-redeemable convertible preference shares in issue, these shares have been treated as if they had been in issue during both years presented.

12 EARNINGS PER SHARE *(Continued)*

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

	2009 RMB'000	2008 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**199,731**	552,313

	2009	2008 (restated)
Number of shares		
Weighted average number of ordinary shares	**857,452,201**	857,452,201
Weighted average number of non-redeemable convertible preference shares	**1,015,641,321**	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	**1,873,093,522**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme (note 30)	**551,515**	–
Weighted average number of shares for the purpose of diluted earnings per share	**1,873,645,037**	1,873,093,522

13 SEGMENT REPORTING

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Energy equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as CNG trailers, seamless pressure cylinders, LNG trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refueling station systems and natural gas compressors.

- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage and transportation of chemicals for industrial use for instance liquid ammonia trailers, stainless steel tank containers.

- Liquid food equipment: this segment specialises the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk.

13 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in these financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include non-current assets and current assets with the exception of prepayments for equity investment, deferred tax assets and certain assets unallocated to an individual reportable segment. Segment liabilities include non-current liabilities and current liabilities with the exception of income tax payable, deferred tax liabilities and certain liabilities unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at adjusted profit from operations the Group's profits are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration, auditors' remuneration and other head office or corporate administration expenses.

In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue (including inter-segment sales), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2009 RMB'000	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000 (restated)
Revenue from external customers	**1,811,512**	1,989,155	**651,816**	2,562,269	**594,138**	1,234,118	**3,057,466**	5,785,542
Inter-segment revenue	**77**	1,023	**–**	–	**–**	–	**77**	1,023
Reportable segment revenue	**1,811,589**	1,990,178	**651,816**	2,562,269	**594,138**	1,234,118	**3,057,543**	5,786,565
Reportable segment profit (adjusted profit from operations)	**246,494**	220,387	**41,150**	377,775	**38,470**	117,253	**326,114**	715,415
Interest income from bank deposits	**1,214**	1,719	**659**	14,582	**1,406**	6,545	**3,279**	22,846
Interest expense	**(12,425)**	(26,829)	**(7,024)**	(53,381)	**(3,647)**	(8,669)	**(23,096)**	(88,879)
Depreciation and amortisation for the year	**(45,658)**	(38,950)	**(18,328)**	(15,552)	**(33,711)**	(33,985)	**(97,697)**	(88,487)
Reportable segment assets	**2,496,378**	2,125,060	**981,750**	1,282,484	**792,679**	946,422	**4,270,807**	4,353,966
Additions to non-current segment assets during the year	**182,863**	82,124	**111,884**	114,115	**4,079**	24,854	**298,826**	221,093
Reportable segment liabilities	**1,092,454**	990,103	**202,943**	511,309	**216,510**	392,522	**1,511,907**	1,893,934

13 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2009 RMB'000	2008 RMB'000 (restated)
Revenue		
Reportable segment revenue	**3,057,543**	5,786,565
Elimination of inter-segment revenue	**(77)**	(1,023)
Consolidated turnover	**3,057,466**	5,785,542

	2009 RMB'000	2008 RMB'000 (restated)
Profit		
Reportable segment profit	**326,114**	715,415
Elimination of inter-segment loss/(profit)	**219**	(188)
Reportable segment profit derived from Group's external customers	**326,333**	715,227
Finance costs	**(40,242)**	(57,136)
Unallocated operating income and expenses	**(51,446)**	(1,969)
Consolidated profit before taxation	**234,645**	656,122

	2009 RMB'000	2008 RMB'000 (restated)
Assets		
Reportable segment assets	**4,270,807**	4,353,966
Elimination of inter-segment receivables	**(12,458)**	(1,922)
	4,258,349	4,352,044
Deferred tax assets	**32,848**	35,919
Unallocated assets	**5,324**	9,357
Consolidated total assets	**4,296,521**	4,397,320

13 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	2009 RMB'000	2008 RMB'000 (restated)
Liabilities		
Reportable segment liabilities	**1,511,907**	1,893,934
Elimination of inter-segment payables	**(12,458)**	(1,922)
	1,499,449	1,892,012
Income tax liabilities	**37,488**	43,939
Deferred tax liabilities	**99,278**	105,322
Unallocated liabilities	**84,814**	4,092
Consolidated total liabilities	**1,721,029**	2,045,365

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenues from external customers		Specified non-current assets	
	2009 RMB'000	2008 RMB'000 (restated)	2009 RMB'000	2008 RMB'000 (restated)
PRC (place of domicile)	**1,763,493**	1,957,582	**1,065,145**	825,845
Thailand	**240,425**	117,050	**–**	–
Japan	**159,002**	257,374	**–**	–
United States	**88,553**	760,198	**–**	–
France	**40,390**	230,326	**–**	–
Britain	**17,145**	770,077	**–**	–
Other European countries	**470,141**	1,236,073	**286,440**	312,676
Other Asian countries	**151,244**	374,063	**–**	–
Other countries	**127,073**	82,799	**–**	–
	1,293,973	3,827,960	**286,440**	312,676
	3,057,466	5,785,542	**1,351,585**	1,138,521

For the year ended 31 December 2009, there was no single external customer that accounted for 10% or more of the Group's total turnover (2008: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
Balance at 1 January 2008 (restated)	586,150	3,073	528,239	39,752	81,032	1,238,246
Reclassification	33	–	(1,348)	–	1,315	–
Additions	1,429	1,910	26,891	4,469	7,697	42,396
Disposals	(770)	(3,073)	(5,854)	(6,681)	(73)	(16,451)
Value Added Tax ("VAT") refund	–	–	(2,835)	–	–	(2,835)
Transfers from construction in progress	71,039	–	45,490	2,164	10,177	128,870
Exchange adjustment	(35,518)	–	(32,000)	(1,978)	(4,463)	(73,959)
Balance at 31 December 2008 (restated)	622,363	1,910	558,583	37,726	95,685	1,316,267
Balance at 1 January 2009 (restated)	622,363	1,910	558,583	37,726	95,685	1,316,267
Reclassification	–	–	(611)	(354)	965	–
Additions	1,341	19	9,121	2,210	4,686	17,377
Acquisition through business combination (note 3)	641	–	18,425	3,839	943	23,848
Disposals	(2,381)	(276)	(14,621)	(376)	(2,031)	(19,685)
Transfers from construction in progress	19,672	–	63,663	167	1,266	84,768
Exchange adjustment	4,020	–	3,835	254	595	8,704
Balance at 31 December 2009	**645,656**	**1,653**	**638,395**	**43,466**	**102,109**	**1,431,279**
Accumulated depreciation:						
Balance at 1 January 2008 (restated)	(98,133)	(974)	(254,759)	(22,069)	(51,234)	(427,169)
Reclassification	(9)	–	14	–	(5)	–
Charge for the year	(25,577)	(747)	(36,599)	(6,069)	(8,616)	(77,608)
Written back on disposal	86	1,566	3,284	4,530	68	9,534
Exchange adjustment	8,225	–	20,787	1,482	3,868	34,362
Balance at 31 December 2008 (restated)	(115,408)	(155)	(267,273)	(22,126)	(55,919)	(460,881)
Balance at 1 January 2009 (restated)	(115,408)	(155)	(267,273)	(22,126)	(55,919)	(460,881)
Reclassification	–	–	95	151	(246)	–
Charge for the year	(23,637)	(301)	(44,327)	(6,294)	(10,836)	(85,395)
Written back on disposal	183	163	3,675	274	1,042	5,337
Exchange adjustment	(1,438)	–	(3,186)	(228)	(556)	(5,408)
Balance at 31 December 2009	**(140,300)**	**(293)**	**(311,016)**	**(28,223)**	**(66,515)**	**(546,347)**
Net book value:						
At 31 December 2009	**505,356**	**1,360**	**327,379**	**15,243**	**35,594**	**884,932**
At 31 December 2008 (restated)	506,955	1,755	291,310	15,600	39,766	855,386

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

As at 31 December 2009, the Group was in the process of registering the title of buildings with net book value of RMB68,146,000 (2008: RMB165,387,000 as restated).

(b) The Company

	Office equipment	
	2009	2008
	RMB'000	RMB'000
Cost:		
Balance at 1 January	**–**	–
Additions	**714**	–
At 31 December	**714**	–
Accumulated amortisation:		
At 1 January	**–**	–
Charge for the year	**(44)**	–
At 31 December	**(44)**	–
Net book value:		
At 31 December	**670**	–

15 CONSTRUCTION IN PROGRESS

	The Group	
	2009	2008
	RMB'000	RMB'000
		(restated)
At 1 January	**78,875**	47,822
Additions	**141,199**	162,782
Acquisition through business combination (note 3)	**96**	–
Transfers to property, plant and equipment	**(84,768)**	(128,870)
Exchange adjustment	**9**	(2,859)
At 31 December	**135,411**	78,875

16 LEASE PREPAYMENTS

	The Group	
	2009	2008
	RMB'000	RMB'000
		(restated)
Cost:		
At 1 January	**118,830**	93,598
Additions	**96,213**	26,520
Exchange adjustment	**(24)**	(1,288)
At 31 December	**215,019**	118,830
Accumulated amortisation:		
At 1 January	**(8,281)**	(6,014)
Charge for the year	**(3,711)**	(2,345)
Exchange adjustment	**–**	78
At 31 December	**(11,992)**	(8,281)
Net book value:		
At 31 December	**203,027**	110,549

Lease prepayments represent payments for land use rights paid to the PRC authorities. The Group's land use rights have remaining terms ranging from 38 to 49 years as at 31 December 2009.

As at 31 December 2009, the Group was in the process of registering the title of land use rights with a net book value of RMB5,173,000 (2008: RMB11,178,000 as restated).

17 INTANGIBLE ASSETS

	The Group	
	2009 **RMB'000**	2008 RMB'000 (restated)
Cost:		
At 1 January	**78,937**	79,306
Additions	**2,224**	5,708
Acquisition through business combination (note 3)	**583**	–
Exchange adjustment	**810**	(6,077)
At 31 December	**82,554**	78,937
Accumulated amortisation:		
At 1 January	**(17,836)**	(9,930)
Charge for the year	**(8,591)**	(8,534)
Exchange adjustment	**(270)**	628
At 31 December	**(26,697)**	(17,836)
Net book value:		
At 31 December	**55,857**	61,101

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

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

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**4,641,486**	119,825

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

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

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment
CIMC Enric (Jingmen) Energy Equipment Company Limited	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd.	PRC 29 October 2004	Registered and paid-in capital of RMB20,000,000	–	80%	Manufacture and sale of specialised transportation equipment
Jingmen Hongtu Machinery Manufacturing Company Limited	PRC 30 October 2007	Registered and paid-in capital of RMB3,000,000	–	60%	Manufacture and sale of transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited	PRC 2 November 2009	Registered and paid-in capital of RMB500,000	–	90%	Manufacture and sale of refrigeration equipment
Sound Winner Holdings Limited	British Virgin Islands 11 December 2007	Authorised capital of USD50,000 and paid-in capital of USD10,000	100%	–	Investment holding
Manner Kind International Limited	British Virgin Islands 28 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Perfect Vision International Limited	British Virgin Islands 21 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Win Score Investments Limited	Hong Kong 29 January 2008	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding
Nantong CIMC Tank Equipment Company Limited ("Nantong CIMC")	PRC 14 August 2003	Registered and paid-in capital of USD25,000,000	–	100%	Production and sales of stainless steel tank containers
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("CIMC Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB144,862,042	–	100%	Design, production, sales and technical service of cryogenic storage and transportation equipment
Full Medal Limited	British Virgin Islands 8 August 2008	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Coöperatie Vela Holding U.A.	The Netherlands 29 August 2008	Member capital and paid-in capital of EUR18,000	–	100%	Investment holding
Vela Holding B.V.	The Netherlands 3 September 2008	Authorised capital of EUR90,000 and paid-in capital of EUR18,000	–	100%	Investment holding
Holvrieka Holding B.V.	The Netherlands 16 July 1976	Authorised capital of EUR12,000,000 and paid-in capital of EUR6,038,200	–	100%	Investment holding
Holvrieka Ido B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacturing of tanks

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Holvrieka Nirota B.V.	The Netherlands 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka N.V.	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka Danmark A/S	Denmark 2 March 1978	Registered and paid-in capital of DKK1,000,001	–	100%	Sales, engineering and manufacturing of tanks

19 GOODWILL

	The Group 2009 RMB'000	2008 RMB'000 (restated)
Cost		
At 1 January	**15,821**	16,350
Addition	**27,221**	–
Exchange adjustment	**4**	(529)
At 31 December	**43,046**	15,821

19 GOODWILL *(Continued)*

Impairment tests for cash-generating units ("CGU") containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and reportable segment as follows:

	2009 RMB'000	2008 RMB'000 (restated)
CIMC Sanctum	8,297	8,297
Nantong CIMC	7,528	7,524
Hongtu	27,221	–
At 31 December	43,046	15,821

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 5.94% (2008: 5.94%) for CGU of Nantong CIMC, CIMC Sanctum and Hongtu. One major assumption is annual growth rates in revenue which vary among the subsidiaries. The growth rates are based on the subsidiaries' growth forecasts and 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 Nantong CIMC's, CIMC Sanctum's and Hongtu's past performance and their expectations for market development. Management estimates that the recoverable amount of each CGU is larger than the carrying amount of the respective goodwill as at 31 December 2008 and 2009. The discount rates used are pre-tax and reflect specific risks relating to the relevant subsidiaries.

20 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Held-to-maturity debt securities	5,630	9,253
Available-for-sale equity securities		
– Unlisted	59	–
	5,689	9,253

21 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2009, the Group held three forward foreign currency contracts to manage the currency risk on expected future sales to customers in US Dollar ("USD") for which the Group has firm commitments. At 31 December 2009, the loss in fair value of these forward foreign currency contracts (total notional value of USD659,000) is EUR18,000 (2008: EUR13,000 as restated).

At 31 December 2009, the Group held five forward foreign currency contracts to manage the currency risk on expected future sales to customers in Pound Sterling ("GBP") for which the Group has firm commitments. At 31 December 2009, the loss in fair value of these forward foreign currency contracts (total notional value of GBP324,000) is EUR5,000 (2008: Nil).

22 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2009 **RMB'000**	2008 RMB'000 (restated)
Raw materials	**482,359**	737,442
Consignment materials	**8,030**	27,283
Goods in transit	**–**	32,592
Work in progress	**268,487**	362,545
Finished goods	**147,123**	217,254
	905,999	1,377,116

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

	The Group	
	2009 **RMB'000**	2008 RMB'000 (restated)
Carrying amount of inventories sold	**2,511,695**	4,657,861
Write-down of inventories	**32,013**	48,546
Reversal of write-down of inventories	**(48,648)**	(764)
	2,495,060	4,705,643

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

23 TRADE AND BILLS RECEIVABLE

	The Group	
	2009 **RMB'000**	2008 RMB'000 (restated)
Trade debtors and bills receivable	**988,136**	1,061,858
Less: allowance for doubtful debts (note 23(b))	**(86,175)**	(67,493)
	901,961	994,365

23 TRADE AND BILLS RECEIVABLE *(Continued)*

(a) Ageing analysis

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

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Current	**608,105**	702,781
Less than 1 month past due	**88,144**	39,080
1 to 3 months past due	**70,287**	113,486
More than 3 months but less than 12 months past due	**88,229**	111,544
More than 12 months past due	**47,196**	27,474
Amounts past due	**293,856**	291,584
	901,961	994,365

Trade and bills receivable are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of three to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis. Further details on the Group's credit policy are set out in note 40(a).

(b) Impairment of trade and bills receivable

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

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

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
At 1 January	**67,493**	70,439
Impairment loss recognised	**24,168**	9,302
Written back	**(3,672)**	(6,901)
Uncollectible amounts written off	**(2,378)**	(551)
Exchange adjustment	**564**	(4,796)
At 31 December	**86,175**	67,493

At 31 December 2009, the Group's trade and bills receivable of RMB190,642,000 (2008: RMB154,031,000 as restated) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB86,175,000 (2008: RMB67,493,000 as restated) were recognised. The Group does not hold any collateral over these balances.

23 TRADE AND BILLS RECEIVABLE *(Continued)*

(c) Trade and bills receivable that are not impaired

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

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Neither pass due nor impaired	**606,305**	702,781
Less than 1 month past due	**54,948**	38,864
1 to 3 months past due	**55,188**	71,424
More than 3 months but less than 12 months past due	**64,758**	81,064
More than 12 months past due	**16,295**	13,694
	191,189	205,046
	797,494	907,827

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

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

24 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Advances to suppliers	**63,574**	89,161
Deposits for bidding, construction work and equipment purchase	**8,355**	4,815
Staff advances	**7,471**	3,789
Deductible input VAT	**–**	25,663
VAT refundable for export sales	**–**	6,439
Receivables for disposal of property, plant and equipment	**600**	2,400
Prepayments for services	**9,517**	14,496
Gross amount due from customers for contract work	**136,633**	172,687
Others	**16,122**	14,074
	242,272	333,524

25 CONSTRUCTION CONTRACTS

The aggregate amounts of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2008 and 2009 are RMB735,024,000 (as restated) and RMB1,170,604,000 respectively.

No gross amount due from/to customers for contract work at 31 December 2008 and 2009 is expected to be recovered after more than one year.

In respect of construction contracts in progress at the balance sheet date, the amount of retentions receivable from customers, recorded within "Trade debtors and bills receivable" at 31 December 2008 and 2009 are RMB9,899,000 (as restated) and RMB5,092,000 respectively. The amount of retentions expected to be recovered after more than one year at 31 December 2008 and 2009 are RMB3,913,000 (as restated) and nil respectively.

26 CASH AT BANK AND IN HAND

	The Group		The Company	
	2009 RMB'000	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000
Cash and cash equivalents				
– Cash in hand and demand deposits	**790,040**	263,112	**1,200**	69
– Restricted bank deposits for letters of credit and bills payable within three months of maturity	**4,660**	34,744	**–**	–
– Bank overdrafts	**(11,003)**	(19,434)	**–**	–
	783,697	278,422	**1,200**	69
Restricted bank deposits for letters of credit and bills payable with maturity of more than three months	**77,940**	43,779	**–**	–
Add back bank overdrafts	**11,003**	19,434	**–**	–
	872,640	341,635	**1,200**	69

27 BANK LOANS AND OVERDRAFTS

At 31 December 2009, the bank loans and overdrafts were repayable as follows:

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Within 1 year or on demand	**153,587**	234,813
After 1 year but within 2 years	**17,584**	–
After 2 years but within 5 years	**21,980**	–
	39,564	–
	193,151	234,813

27 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31 December 2009, the bank loans and overdrafts were secured as follows:

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Unsecured bank overdrafts	**4,858**	6,626
Secured bank overdrafts	**6,145**	12,808
Bank loans – guaranteed	**182,148**	166,803
Bank loans – secured	**–**	48,576
	193,151	234,813

At 31 December 2009, bank overdrafts of RMB6,145,000 were secured by a pledge on buildings which had a carrying value of RMB5,751,000 at 31 December 2009. Save as disclosed above, all the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 1.9% to 5.3% for the year ended 31 December 2009.

At 31 December 2008, bank loans of RMB9,940,000 (as restated) were secured by a pledge on bills receivable and bank overdrafts of RMB12,808,000 (as restated) were secured by a pledge on buildings which had a carrying value of RMB6,954,000 (as restated) at 31 December 2008. Save as disclosed above, all the bank loans and overdrafts were unsecured at 31 December 2008. The annual rate of interest charged on the bank loans ranged 3.6% to 7.6% for the year ended 31 December 2008.

28 TRADE AND BILLS PAYABLE

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Trade creditors	**194,026**	439,585
Bills payable	**457,857**	193,065
	651,883	632,650

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

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Due within 3 months or on demand	**626,599**	541,122
Due after 3 months but within 12 months	**25,136**	84,444
Due after 12 months	**148**	7,084
	651,883	632,650

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

29 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group	
	2009 **RMB'000**	2008 RMB'000 (restated)
Advances from customers	**274,285**	308,047
Advances from local government for construction of production plant and facilities	**4,691**	40,000
Payables for acquisition of land use rights	**–**	6,984
Payables for construction work	**19,409**	21,439
Taxes and social securities	**12,978**	12,074
Other taxes payable	**53,195**	7,781
Accrued expenses	**36,014**	38,388
Employees' bonus and welfare	**70,246**	37,585
Other surcharges payable	**1,965**	2,653
Directors' remuneration	**120**	854
Others	**63,224**	52,805
	536,127	528,610

30 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to take up options at a consideration of HKD1.00 to subscribe for shares of the Company. The options vest 50% after one year and 50% after two years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company. On 11 November 2009, 43,750,000 share options were granted to certain eligible persons. No share option was granted in the year 2008.

(a) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 11 November 2009	6,100,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
Options granted to employees and others:			
– on 11 November 2009	37,650,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
Total share options granted	43,750,000		

30 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2009 Weighted average exercise price	2009 Number of options
Outstanding at the beginning of the period	–	–
Exercised during the period	–	–
Forfeited during the period	–	–
Granted during the period	HKD4.00	43,750,000
Outstanding at the end of the period	HKD4.00	43,750,000
Exercisable at the end of the period		–

The options outstanding at 31 December 2009 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 9.83 years commencing on the date of grant. 21,875,000 and 21,875,000 options will become exercisable on 11 November 2010 and 11 November 2011 respectively.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	2009
Fair value at the date of grant	HKD1.64
Share price at the date of grant	HKD4.00
Exercise price	HKD4.00
Expected volatility	64.78%
Option life	10 years
Expected dividends	0.68%
Risk-free interest rate	2.24%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

31 PROVISIONS

	The Group		
	Warranty provision RMB'000	**Restructuring provision** RMB'000	**Total** RMB'000
Balance at 1 January 2008 (restated)	31,788	1,003	32,791
Additional provision made/(reversal)	21,777	(193)	21,584
Provisions utilised	(14,450)	–	(14,450)
Exchange adjustment	(2,002)	(86)	(2,088)
Balance at 31 December 2008 (restated)	37,113	724	37,837
Balance at 1 January 2009 (restated)	37,113	724	37,837
Additional provision made	18,380	2,875	21,255
Provisions utilised	(17,095)	(158)	(17,253)
Exchange adjustment	992	84	1,076
Balance at 31 December 2009	**39,390**	**3,525**	**42,915**

	The Group		
	Warranty provision RMB'000	**Restructuring provision** RMB'000	**Total** RMB'000
Represented by:			
Current portion at 31 December 2008 (restated)	32,660	724	33,384
Non-current portion at 31 December 2008 (restated)	4,453	–	4,453
Total balance at 31 December 2008 (restated)	37,113	724	37,837
Current portion at 31 December 2009	20,587	3,525	24,112
Non-current portion at 31 December 2009	18,803	–	18,803
Total balance at 31 December 2009	**39,390**	**3,525**	**42,915**

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

Restructuring provision mainly relates to a provision, agreed upon with the Dutch labour union, for compensating laid-off employees with the difference between the salaries they previously earned from the Group and the basic salary earned from the new employment.

32 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group 2009 RMB'000	The Group 2008 RMB'000 (restated)
Current tax payable at the beginning of the year	**43,939**	38,998
Provision for income tax on		
– Profit for the year	**36,626**	112,467
– Liabilities waived	**–**	16,250
Current tax paid	**(43,548)**	(121,503)
Exchange adjustment	**471**	(2,273)
Current tax payable at the end of the year	**37,488**	43,939

(b) Deferred tax assets and liabilities recognised:

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

	Impairment losses for inventories and receivables RMB'000	Revaluation of tangible and intangible assets RMB'000	Provision for product warranties RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Amortisation of intangible assets RMB'000	Distributable profits of PRC subsidiaries RMB'000	Accrued expenses RMB'000	Movements of fair value of assets/ (liabilities) held for trading RMB'000	Gains on disposal of land and buildings RMB'000	Income recognised on construction contracts/ inventories RMB'000	Total RMB'000
At 1 January 2008 (restated)	4,496	(81,451)	2,846	(3,711)	(390)	–	6,258	(1,237)	725	(13,440)	(85,904)
Credited / (charged) to profit or loss	13,419	6,201	4,370	57	10	(22,120)	2,984	4,832	(3,333)	2,388	8,808
Exchange adjustment	(261)	7,389	(203)	–	–	–	(489)	8	97	1,152	7,693
At 31 December 2008 (restated)	17,654	(67,861)	7,013	(3,654)	(380)	(22,120)	8,753	3,603	(2,511)	(9,900)	(69,403)
At 1 January 2009 (restated)	17,654	(67,861)	7,013	(3,654)	(380)	(22,120)	8,753	3,603	(2,511)	(9,900)	(69,403)
Credited / (charged) to profit or loss	(198)	5,823	1,126	57	67	(5,120)	(1,418)	(3,607)	4,136	2,904	3,770
Exchange adjustment	8	(815)	3	–	–	–	(6)	4	73	(64)	(797)
At 31 December 2009	**17,464**	**(62,853)**	**8,142**	**(3,597)**	**(313)**	**(27,240)**	**7,329**	**–**	**1,698**	**(7,060)**	**(66,430)**

32 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
Net deferred tax assets recognised on the balance sheet	**32,848**	35,919
Net deferred tax liabilities recognised on the balance sheet	**(99,278)**	(105,322)
	(66,430)	(69,403)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB11,643,000 (2008: RMB7,419,000 as restated) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses carry-forward period shall not exceed five years under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2009, temporary differences relating to undistributed profits of subsidiaries amounted to RMB223,675,000 (2008: RMB135,410,000 as restated). Deferred tax liabilities of RMB15,361,000 (2008: RMB10,156,000 as restated) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits available for appropriation to the Company will not be distributed in the foreseeable future.

33 DEFERRED INCOME

	The Group	
	2009 RMB'000	2008 RMB'000 (restated)
At 1 January	**–**	1,400
Received during the year	**110,036**	–
Recognised in profit or loss	**–**	(1,400)
At 31 December	**110,036**	–

Deferred income represents government grants obtained during the year ended 31 December 2009, which are for the purposes of sponsoring the costs of construction of a new plant incurred by the Group. As at 31 December 2009, the construction of the plant to which the grants are related has not yet been completed. The funds obtained were recognised as deferred income which will be amortised over the useful life of the new plant after the completion of the construction and recognised to profit or loss to offset the depreciation charge of the relevant assets.

34 EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities represent provision for early retirement benefits and jubilee benefits which are payable to the employees under the employment benefit schemes operated by the Group.

35 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000 35(c)(i)	Contributed surplus RMB'000 35(c)(ii)	Capital reserve RMB'000 35(c)(iii)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	4,769	287,517	119,825	–	–	(7,510)	404,601
Total comprehensive income for the year	–	–	–	–	–	(284)	(284)
At 31 December 2008	4,769	287,517	119,825	–	–	(7,794)	404,317
At 1 January 2009	4,769	287,517	119,825	–	–	(7,794)	404,317
Share option issued	–	–	–	6,620	–	–	6,620
Issuance of share	12,466	–	4,533,037	–	–	–	4,545,503
Total comprehensive Income for the year	–	–	–	–	(66,307)	(17,374)	(83,681)
At 31 December 2009	**17,235**	**287,517**	**4,652,862**	**6,620**	**(66,307)**	**(25,168)**	**4,872,759**

35 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2009 Number of shares	2009 RMB'000	2008 Number of shares	2008 RMB'000
Authorised:				
Ordinary shares of the Company of HKD0.01 each (i)	10,000,000,000		10,000,000,000	
Non-redeemable convertible preference shares of the Company of HKD0.01 each (ii)	2,000,000,000		–	
Issued and fully paid:				
Ordinary shares				
At 1 January	459,000,000	4,769	459,000,000	4,769
Issued during the year	398,452,201	3,513	–	–
At 31 December	857,452,201	8,282	459,000,000	4,769
Non-redeemable convertible preference shares				
At 1 January	–	–	–	–
Issued during the year and at 31 December	1,015,641,321	8,953	–	–
At 31 December	1,873,093,522	17,235	459,000,000	4,769

35 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

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

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

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of Company on 26 June 2009, the Company's authorised share capital was increased from HKD100,000,000 to HKD120,000,000 by the creation of 2,000,000,000 non-redeemable convertible preference shares ("Convertible Preference Shares") of HKD0.01 each.

The Convertible Preference shares are non-redeemable by the Company and the holders of the Convertible Preference Shares ("Convertible Preference Shareholders") may request the Company to convert one Convertible Preference Share into one ordinary share, during the period from the date of allotment and issue of the Convertible Preference Shares to the date the Company passes a voluntary winding up resolution or is otherwise placed into liquidation. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of paid-up amounts of the Convertible Preference Shares, and the Convertible Preference Shareholders shall not have the right to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the Convertible Preference Shares.

The Convertible Preference Shares are not listed on the Stock Exchange.

35 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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

The contributed surplus of the Group also includes the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under acquisition of Sound Winner Group and Full Medal Group during the year ended 31 December 2009.

(iii) Capital reserve

Capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii).

(iv) General reserve fund

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

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

The Group's subsidiary in Belgium is required to set up a legal reserve of 10% of share capital in accordance with the Belgium Law. The legal reserve is not distributable. In addition, any difference in the net profits of the Belgian subsidiary calculated between the accounting basis and tax basis should be transferred to/from this non-distributable reserve.

(v) Distributability of reserves

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

At 31 December 2009, the Company had RMB4,915,211,000 available for distribution to equity shareholders of the Company (2008: RMB399,548,000).

35 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(vi) Capital management

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

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

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

During 2009, the Group's strategy was to maintain the net debt to adjusted capital ratio within 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.
The net debt to adjusted capital ratio is as follows:

	Note	2009 RMB'000	2008 RMB'000 (restated)
Current liabilities			
Bank loans		**142,584**	215,379
Trade and bills payable	28	**651,883**	632,650
Other payables and accrued expenses	29	**536,127**	528,610
Amounts due to related parties	38(b)(ii)	**47,342**	437,591
		1,377,936	1,814,230
Non-current liabilities			
Bank loans		**39,564**	–
Amounts due to related parties	38(b)(ii)	**–**	7,350
Total debt		**1,417,500**	1,821,580
Less: Cash and cash equivalents	26	**(783,697)**	(278,422)
Net debt		**633,803**	1,543,158
Total equity and adjusted capital		**2,566,165**	2,351,955
Net debt to adjusted capital ratio		**25%**	66%

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

36 RETIREMENT BENEFITS

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

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

The pension plan for the Dutch entities is a multi-employer pension plan, which qualifies as a defined benefit plan. The Group accounts for this multi-employer plan as if it was a defined contribution plan, since the Group does not have access to information about this plan in order to account for it as a defined benefit plan. In addition, the Group has no available information about the surplus or deficit in the plan which may affect the amount of future contributions.

37 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements are as follows:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000
Contracted for				
– Production facilities	**66,589**	41,084	**–**	–
– Lease prepayments	**–**	81,837	**–**	–
	66,589	122,921	**–**	–
Authorised but not contracted for				
– Production facilities	**6,393**	10,108	**–**	–
	72,982	133,029	**–**	–

37 COMMITMENTS *(Continued)*

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000 (restated)	**2009 RMB'000**	2008 RMB'000
Within 1 year	**2,261**	2,860	**786**	–
After 1 year but within 5 years	**19,427**	21,913	**687**	–
	21,688	24,773	**1,473**	–

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

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Name of party	Nature of transactions		The Group Year ended 31 December **2009 RMB'000**	2008 RMB'000 (restated)
CIMC and its subsidiaries	Sales	(i)	**153,039**	252,963
	Purchases	(ii)	**74,686**	157,634
	Management services	(iii)	**4,389**	4,923
	Comprehensive services	(iv)	**3,737**	3,019
	Processing services	(v)	**–**	21,628

(i) Sales to related parties mainly represent the sale of products to related parties.

(ii) Purchases from related parties mainly represent purchase of raw materials for production.

(iii) Management services mainly represent management services provided to the Group's European operation by related parties.

(iv) Comprehensive services mainly represent comprehensive services including staff messing, health services and general services provided to the Group by related parties.

(v) Processing services mainly represent processing services, site leasing and other related services provided to the Group by related parties.

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

(vi) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 8 and other key management personnel is as follows:

	2009 RMB'000	2008 RMB'000 (restated)
Short-term employee benefits	**7,397**	6,783
Equity compensation benefits	**1,658**	–
	9,055	6,783

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Balances with related parties

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

		The Group	
		2009 RMB'000	2008 RMB'000 (restated)
Trade balances	(I)	**12,610**	166,368

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

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

		The Group	
		2009 RMB'000	2008 RMB'000 (restated)
Trade balances	(I)		
– payable within 1 year		**47,342**	437,591
– payable after 1 year but within 2 years		**–**	7,350
		47,342	444,941

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

39 AMOUNTS DUE FROM A SUBSIDIARY

At 31 December 2009, these represent cash advances to Enric Investment Group Limited. These amounts are unsecured, interest-free and repayable on demand.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 3.68% (2008: Nil) and 13.70% (2008: 17.92%) of the total trade and bills receivable are due from the Group's largest customer and the five largest customers respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivable are set out in note 23.

(b) Liquidity risk

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

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

The Group	2009 Contractual undiscounted cash flow				2008 (restated) Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Bank loans	160,934	40,320	201,254	193,151	242,724	–	242,724	234,813
Bills payable, creditors and accrued expenses	1,188,010	–	1,188,010	1,188,010	1,161,260	–	1,161,260	1,161,260
Amounts due to related parties	47,342	–	47,342	47,342	437,591	9,253	446,844	444,941
	1,396,286	40,320	1,436,606	1,428,503	1,841,575	9,253	1,850,828	1,841,014

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank deposits and bank loans. Floating rate bank deposits and bank loans at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

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

The Group	2009		2008 (restated)	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	0.58%	789,004	2.13%	341,454
Bank loans-guranteed	1.91%	(57,148)	–	–
Bank loans-secured	–	–	3.64%	(38,636)
Bank overdraft	4.90%	(11,003)	6.15%	(19,434)

The Company	2009		2008	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	1.61%	1,200	2.40%	69

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB2,703,000 (2008: RMB1,063,000 as restated). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above in respect of the exposure to cash flow interest rate risk arising from floating rate bank deposits held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(d) Foreign currency risk

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

(i) Forecast transactions

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

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(ii) Recognised assets and liabilities

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

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

(iii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

The Group	Exposure to foreign currencies					
	2009					
	RMB	USD	HK Dollars	Euro	GBP	DKK
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivable	–	85,427	–	464	–	–
Deposits, other receivables and prepayments	977	368	392	–	–	–
Cash and cash equivalents	1,054	56,851	28,166	155	2	–
Bank loans	–	–	(57,233)	–	–	(11,019)
Trade and bills payable	–	(81)	–	(5,074)	(5,085)	–
Advance from customers	–	(4,990)	–	–	–	–
Other payables and accrued expenses	(269)	(8,325)	(1,470)	–	–	–
Overall net exposure	1,762	129,250	(30,145)	(4,455)	(5,083)	(11,019)

The Company	Exposure to foreign currencies	
	2009	2008
	RMB	RMB
	RMB'000	RMB'000
Deposit, other receivables and prepayments	**977**	–
Cash and cash equivalents	**1,054**	–
Other payables and accrued expenses	**(269)**	–
Overall net exposure	**1,762**	–

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

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

The Group	Exposure to foreign currencies 2008 (restated)					
	RMB RMB'000	USD RMB'000	HK Dollars RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bills receivable	–	393,427	–	441	–	–
Deposits, other receivables and prepayments	–	4,653	150	–	–	–
Cash and cash equivalents	–	27,430	15,712	859	1	–
Bank loans	–	(9,204)	–	(47,600)	–	(13,253)
Trade and bills payable	–	(12,671)	–	(9,600)	(24,379)	–
Advance from customers	–	(21,413)	–	–	–	–
Other payables and accrued expenses	–	(5,568)	(2,024)	–	–	–
Overall net exposure	–	376,654	13,838	(55,900)	(24,378)	(13,253)

(iv) Sensitivity analysis

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

The Group	2009		2008 (restated)	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
RMB	1%	13	–	–
	(1%)	(13)	–	–
United States Dollars	1%	969	6%	16,950
	(1%)	(969)	(6%)	(16,950)
Hong Kong Dollars	1%	(226)	6%	623
	(1%)	226	(6%)	(623)
Euro	1%	(33)	9%	(3,770)
	(1%)	33	(9%)	3,770
Pounds Sterling	11%	(419)	32%	(5,851)
	(11%)	419	(32%)	5,851
Danish Krone	2%	(165)	–	–
	(2%)	165	–	–

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis *(Continued)*

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008.

(e) Fair value

The carrying amounts of the significant financial assets and liabilities are not materially different from their fair values as at 31 December 2009.

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

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

(ii) Bank loans

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

41 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

As set out in note 1(b), the Company has applied merger accounting to account for the acquisitions of the subsidiaries, Sound Winner Group and Full Medal Group on 14 August 2009 under common control. In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combination occurs, and for the comparative period disclosed, are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the combining entities first came under the control of the Group.

42 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2009, the Directors consider the parent of the Company to be CIMC HK, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2009, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

43 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 30 and 40 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments respectively.

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

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

(i) Impairment

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

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

(ii) Depreciation

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

(iii) Warranty provision

As explained in note 31, the Group makes provision under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(iv) Construction contracts

As explained in policy notes 1(n) and (w)(ii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 25 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Revised HKAS 27, *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to HKAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
HK(IFRIC) 17, *Distributions of Non-Cash Assets to Owners*	1 July 2009
Improvement to HKFRSs 2009	1 July 2009 or 1 January 2010
Revised HKFRS 3, *Business Combination*	Applied to business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009

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

Corporate Information

Directors

Executive Directors

Zhao Qingsheng *(Chairman)*
Gao Xiang *(General Manager)*
Jin Jianlong
Yu Yuqun

Non-executive Directors

Jin Yongsheng
Petrus Gerardus Maria van der Burg

Independent Non-executive Directors

Wong Chun Ho
Gao Zhengping
Tsui Kei Pang

Company Secretary

Cheong Siu Fai *CPA*

Audit Committee

Wong Chun Ho *CFA, CPA*
Gao Zhengping
Tsui Kei Pang

Remuneration Committee

Jin Jianlong
Gao Zhengping
Tsui Kei Pang

Nomination Committee

Jin Yongsheng
Wong Chun Ho
Gao Zhengping

Authorised Representatives

Zhao Qingsheng
Cheong Siu Fai

Registered Office

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Unit 908, 9th Floor
Fairmont House
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Central
Hong Kong

Auditor

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

Legal Advisor

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of Communications
Bank of China (Hong Kong) Limited
China Construction Bank
ING Bank N.V.

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
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Cayman Islands

Hong Kong Branch Registrar and Transfer Office

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Wanchai
Hong Kong

Stock Code

03899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

Glossary

In this report, the following expressions have the following meanings, unless the context otherwise requires:

"Acquisitions"	the acquisitions of the entire issued share capital of certain subsidiaries of CIMC, including (but not limited to) CIMC Sanctum, Nantong CIMC and the Holvrieka Group. Details of which were disclosed in the announcements of the Company dated 10 September 2008, 20 April 2009 and 14 August 2009, and the circular of the Company dated 3 June 2009
"AGM"	annual general meeting of the Company
"Articles"	articles of association of the Company
"CG Code"	the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules
"Charm Wise"	Charm Wise Limited
"China Acquisition Agreement"	the sale and purchase agreement dated 2 September 2008 entered into between the Company as purchaser and CIMC HK and CIMC Vehicle as vendors in relation to the acquisitions of CIMC Sanctum and Nantong CIMC and their respective associates (as amended by a supplemental agreement dated 20 April 2009 made among the same parties)
"CIMC"	中國國際海運集裝箱(集團)股份有限公司 China International Marine Containers (Group) Co., Ltd.
"CIMC HK"	China International Marine Containers (Hong Kong) Limited 中國國際海運集裝箱(香港)有限公司
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC Sanctum"	張家港中集聖達因低溫裝備有限公司 Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd.
"CIMC Vehicle"	CIMC Vehicle Investment Holdings Company Limited
"CIMC Vehicle Group"	中集車輛(集團)有限公司 CIMC Vehicle (Group) Co., Ltd.
"CNG"	compressed natural gas
"Company"	CIMC Enric Holdings Limited
"EGM"	extraordinary general meeting of the Company
"European Acquisition Agreement"	the sale and purchase agreement dated 2 September 2008 made between the Company as purchaser and CIMC HK and PGM as vendors in relation to the acquisition of the Holvrieka Group and its associates (as amended by a supplemental agreement dated 20 April 2009 made among the same parties)
"Group"	the Company and its subsidiaries

"Holvrieka Group"	the group of companies comprising Holvrieka N.V., Holvrieka Danmark A/S, Holvrieka Ido B.V., Holvrieka Nirota B.V. and Noordkoel B.V.
"Hongtu"	荊門宏圖特種飛行器製造有限公司 Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. van der Burg"	Mr. Petrus Gerardus Maria van der Burg
"Mr. Zhao"	Mr. Zhao Qingsheng
"Nantong CIMC"	南通中集罐式儲運設備製造有限公司 Nantong CIMC Tank Equipment Co., Ltd.
"PGM"	P.G.M. Holding B.V.
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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