CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3899

Annual Report 2010

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

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Chairman's Statement

Our businesses saw a remarkable growth last year and achieved satisfactory results in the steady recovery of the global economy.

2010
A Year of Recovery

2010 is the year of fruits and growth. As you may recall, in 2009, we completed the acquisition of certain storage and transportation equipment companies from our controlling shareholder, CIMC Group and since then our storage and transportation business has extended from the energy equipment sector alone to the chemical and liquid food equipment sectors.

Last year, as planned, we dedicated full effort and resources to optimising and integrating our business and operational structures and develop organic growth to reinforce the solid foundation for our sustainable growth in long run.

And I was glad to report that our efforts to realise the synergies brought by the acquisitions and grasp market pulse in the steady recovery of the global economy have translated into monetary terms. Our businesses saw a remarkable growth in 2010, the energy equipment and chemical equipment segments especially.

In addition to the sharp rebound of businesses, our years of commitment in upholding good corporate governance have been well recognised. In November 2010, we received our first professional award in corporate governance – the Gold Award in the Best Corporate Governance Disclosure Awards 2010 organised by the Hong Kong Institute of Certified Public Accountants (HKICPA) under the Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category. This award signifies the ability and commitment of my fellow Directors, our management and our people as a whole to maintain best practices even as regulations and market expectations change over time.

(from left to right) Mr. Wilson Fung (the then President of HKICPA) and Mr. K.C. Chan (Secretary for Financial Services and the Treasury of the HKSAR) presented the Award to our Chairman, Mr. Zhao Qingsheng

2010 is truly rewarding for all of us and let me further present to you our financial results of the year below.

Results of the Year

Net profit attributable to equity shareholders for the year jumped by 38.6% to RMB276,901,000 (2009: RMB199,731,000). Basic and diluted earnings per share were both RMB0.148 (2009: both RMB0.107).

Turnover rose to RMB3,998,617,000, a boost of 30.8%. Our largest segment – the energy equipment segment – sustained a stable growth with a rise in sales of 32.0% to RMB2,391,970,000 (2009: RMB1,811,512,000). The chemical equipment segment achieved the greatest growth amongst all of 83.8% to RMB1,198,268,000 (2009: RMB651,816,000) thanks to a leap of demand for tank containers driven by increasing demand for chemicals in the global economic recovery. Nevertheless, Europe seems lagging behind the world in the recovery and breweries are still prudent in capital expenditure. As a result, our liquid food equipment segment is yet to back to an upward track. Sales of this segment for the year fell by 31.3% to RMB408,379,000 (2009: RMB594,138,000).

The steady recovery of the global economy, our proactive sales strategies and competitive pricing power and on-going effort on cost control not only bring us a jump in profit in 2010, but also bring the growth of overall gross profit margin back to positive to an 18.7% (2009: 17.9%).

Future Plan and Strategies

While the market commonly expects that the Chinese and some foreign governments are tightening their monetary policies this year to control mounting inflation pressure, the economic landscape of 2011 faces a tip of uncertainty. We hold a prudently optimistic attitude on the outlook of the industry sectors we are engaged in.

To get well prepared for the likely tightening monetary policies, we will put extra attention to cash flow planning and control. We will tighten control of our operational cash flow and at the same time, maintain good relationship with commercial banks for securing sufficient fund for financing investment activities, and explore more financing channels where necessary.

Besides, we will continue to enhance cost control measures. From last year, we have started manufacturing key spare parts on our own as we believe it is an effective means of both cost and quality control.

Extra effort will also be put at optimising and enhancing our internal control regime and minimising operational risks as good corporate governance and risk management are the requisites of the long-term development of any enterprise.

These protective control measures of course help shield us from market risks in the uncertainty of the global economy, yet how we can stay competitive and make good business in the market depends upon the very basic elements - our products and services. Hence, the other area of our key strategies will be the development of differentiating and customer-oriented products.

The first is project engineering services. Presently, we provide engineering services to our customers in the energy equipment sector through co-operation with engineering companies. Leveraging on our expertise and established experience in the design, manufacturing and sale of storage and transportation equipment for the energy industry, we believe it is desirable for us to develop our own ability to offer project engineering services to the industry as a new revenue driver. One of the means is by acquisition of suitable engineering companies in the PRC. Hence, we will proactively seek investment opportunities to achieve our growth target and shall make appropriate announcement once if any major investment becomes material.

Another highlight will be the provision of cross-region multi-sources energy supply total-solutions service for gas operators in the PRC. Gas operators are provided with all-in-one services from design and manufacturing to sale and engineering of and lease financing referral for suitable storage and transportation equipment which allow them to obtain different energy supplies sourced from different regions across the country. Through this, they can overcome the barrier to energy supply and best fit their energy needs regardless the particular geographical areas they are situated at.

While we endeavour to maintain our leading position in tank container manufacturing business, we will explore more business opportunities for special tank containers which can be tailor made to suit the needs of different customers. Such customer-oriented tank containers are receiving increasing market demand in overseas market.

We hope that with all these we will be able to deliver flying results in the years ahead.

Appreciation

I would like to thank all our people for their dedicated input and unshaken belief in our company to strive through the global financial crisis with us and make 2010 such an encouraging year, and thank our customers and shareholders for their belief in our endeavours and support of us.

In particular, I am most thankful for Mr. Gao Zhengping, who resigned as Director in the year, for his valuable contribution and advice to us during all the years since our listing.

I look forward to seeing CIMC Enric flourish even more under the able leadership of our management team and the continued work and support of all of you.

Zhao Qingsheng
Chairman

Hong Kong, 21 March 2011

Financial Summary

	For the year ended 31 December				
	2010 RMB'000	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000	2006 RMB'000
Turnover	**3,998,617**	3,057,466	5,785,542	940,991	769,952
Profit from operations	**377,698**	274,887	713,258	135,887	117,290
Main Board listing expenses	**–**	–	–	–	(6,822)
Finance costs	**(11,697)**	(40,242)	(57,136)	(11,716)	(8,677)
Profit before taxation	**366,001**	234,645	656,122	124,171	101,791
Income tax	**(83,589)**	(34,124)	(103,517)	(5,295)	(5,287)
Profit for the year	**282,412**	200,521	552,605	118,876	96,504
Attributable to:					
Equity shareholders of the Company	**276,901**	199,731	552,313	118,876	96,504
Non-controlling interests	**5,511**	790	292	–	–
	282,412	200,521	552,605	118,876	96,504
Earnings per share					
– basic	**RMB0.148**	RMB0.107	RMB0.295	RMB0.264	RMB0.217
– diluted	**RMB0.148**	RMB0.107	RMB0.295	RMB0.260	RMB0.212

	As at 31 December				
	2010 RMB'000	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000	2006 RMB'000
Total assets	**4,848,476**	4,296,521	4,397,320	1,060,915	906,193
Total liabilities	**(2,033,833)**	(1,721,029)	(2,045,365)	(415,073)	(400,669)
Net assets	**2,814,643**	2,575,492	2,351,955	645,842	505,524

Note: The comparative figures for the two years from 2006 to 2007 have not been restated as if the current combined entity had been in existence then as the cost to produce such information outweighs the benefits.

Financial Highlights

	As at 31 December		
	2010 RMB'000	2009 RMB'000	+/-
FINANCIAL POSITION			
Total assets	**4,848,476**	4,296,521	+12.8%
Net assets	**2,814,643**	2,575,492	+9.3%
Net current assets	**1,694,532**	1,484,466	+14.2%
Cash balances	**941,109**	872,640	+7.8%
Bank loans and overdrafts	**121,679**	193,151	-37.0%
Gearing ratio(1)	**4.3%**	7.5%	-3.2 ppt

	For the year ended 31 December		
	2010 RMB'000	2009 RMB'000	+/-
OPERATING RESULTS			
Turnover	**3,998,617**	3,057,466	+30.8%
Gross profit	**749,096**	545,771	+37.3%
EBITDA	**485,091**	354,437	+36.9%
Profits from operations	**377,698**	274,887	+37.4%
Profit attributable to equity shareholders	**276,901**	199,731	+38.6%
PER SHARE DATA			
Earnings per share – basic	**RMB0.148**	RMB0.107	+38.3%
Earnings per share – diluted	**RMB0.148**	RMB0.107	+38.3%
Net asset value per share	**RMB1.503**	RMB1.375	+9.3%
KEY STATISTICS			
GP ratio	**18.7%**	17.9%	+0.8 ppt
EBITDA margin	**12.1%**	11.6%	+0.5 ppt
Operating profit margin	**9.4%**	9.0%	+0.4 ppt
Net profit margin(2)	**6.9%**	6.5%	+0.4 ppt
Return on equity(3)	**9.8%**	7.8%	+2.0 ppt
Interest coverage – times	**31.5**	11.6	+19.9
Inventory turnover days	**125**	166	-41
Debtor turnover days	**81**	113	-32
Creditor turnover days	**86**	93	-7

(1) Gearing ratio = Bank loans / Total equity

(2) Net profit margin = Profit attributable to equity shareholders / Turnover

(3) Return on equity = Net profit / Total equity

Management Discussion and Analysis

The favourable China policies and the anticipated gradual recovery of the global economy will bring good development opportunity for the energy, chemical and liquid food industries.

Energy, Chemical and Liquid Food

Industry Overview

For the year 2010 as a whole, the global economy was yet to get out from a recession since the global financial crisis broke out in 2008 while it shows signs of gradual recovery.

The long-term outlook of the energy, chemical and liquid food industries the Group engaged in remain broadly bullish under fiscal relatively loose monetary policy and stimulus plans and the anticipated continued gradual recovery of the global economy.

Energy

With the lingering contraction of the global economy, global energy seems to be moving to a downward trend.

Global primary energy consumption recorded a fall of 1.1% in 2009, the first of its kind since the 1980s. Asia Pacific and the Middle East are the only regions which maintained a growth, whereas China managed to grow at a rate of 8.7%.

Natural gas was adversely affected in the fall in global energy consumption and experienced the first decline on record of 2.1%. Nevertheless, China recorded a rise in natural gas with other countries in the Middle East and Asia Pacific region, like Iran and India. In China, natural gas consumption rose by 9.4% to 88.7 billion cubic metres (bcm) in 2009, being one of the countries with fastest natural gas consumption growth around the world.

According to a report issued by BP, it is predicted that natural gas is projected to be the fastest growing fossil fuel globally to 2030 and China will drive a half of the consumption growth in Asia Pacific region with a growth rate of 7.6% p.a. to a level of gas use in 2030 comparable to that of the European Union today.

The rosy projection of natural gas development in China is echoed by the Chinese government's solid policy on increasing the share of natural gas in primary energy consumption from the current 4% to 9% by 2015 and 15% by 2020. According to the Plan on the Development of New Energies Business Sectors (新興能源產業發展規劃) of the central government, natural gas consumption is set to a jump of nearly three times to 260 bcm by 2015, representing a CAGR of 18.8%, and the investment size on natural gas between 2011 and 2020 is expected to be trillions of Renminbi.

A large portion of such investment will be poured into the construction and development of natural gas infrastructure, such as gas pipelines, LNG terminals and liquefaction plants.

Following the Central Asia-China Gas Pipeline which went into operation in 2009, another major cross-border gas pipeline – the Sino-Myanmar Oil-and-Gas Pipeline is expected to be in operation in 2013. Locally, the Sichuan-East Gas Pipeline, the Yulin-Jinan Gas Pipeline and the Se-Ning-Lan Multi-Track Gas Pipeline have started operation in 2010 and the Second West-East Gas Pipeline to be in 2011. The total length of the nation's gas pipeline is projected to be reaching 100,000 kilometers by 2015.

Apart from LNG terminals in Shandong, Caofeidian and Yuedong which all have started their construction in 2010, several LNG terminals are under plan in the southern cities, such as Shenzhen, Hainan and Beihai. More natural gas liquefaction plants will be built to meet the Chinese government's target to increase the local production capacity of LNG.

Besides natural gas infrastructure, the Chinese government continues to maintain a broad range of gas sources to support its gas-boost plan.

Natural gas depots are among one of the keys regarded by the central government as a reserve to secure the stability of natural gas supply in the country. It is estimated 10 natural gas depots with an aggregated capacity of 22.4 bcm will be constructed in the coming years to 2015.

Natural gas is imported to China mainly from Australia and other South-East Asian countries, and more imports are scheduled from Russia and central Asian countries. The Chinese major oil and gas giants have also made significant progress in exploitation of gas fields, both locally and overseas.

CNG refueling station system

LNG trailer

LPG tank truck

CNG trailer

LPG tank truck

In addition to these conventional gas sources, the government is keen to drive its gas industry's growth by unconventional gas sources, such as shale gas and coal seam gas.

The increasing abundance of natural gas and enormous investment in natural gas infrastructure draw huge demand for the natural gas storage and transportation equipment industry.

Various types of natural gas storage and transportation equipment are needed along the natural gas supply chain, such as LNG satellite storage stations, LNG vapourisation stations, LNG trailers, tank trucks, tank containers and CNG high-pressure cylinders.

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.

From 2003 to 2009, the number of natural gas vehicles ("NGV") in China has gone up over 5 times to near 450,000 units. Statistics shows that the number will reach 1.5 million by 2015 and 3 million by 2020. Whereas as at the end of 2010, there were near 1,500 gas refuelling stations in the country only. This is highly likely to create a large room for increase in number of NGVs in China in the future, and, in turn, generate strong demand for gas refueling station equipment.

The overall outlook of natural gas equipment market in China is believed to keep broadly positive yet become increasingly competitive.

Turning to the international front, emerging countries and South-East Asian countries, especially, 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.

In addition to 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 gas fuel in most medium 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.

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 global GDP and is closely linked to the macro economy.

Going through the worldwide financial crisis in 2008, the global economy has emerged from the recession. Global GDP saw a growth of approximately 3.9% in 2010, reversing the 2.1% decline in 2009.

Meanwhile, the global chemicals production data shows the industry is experiencing a robust recovery. The overall global chemical production index has grown 23.5% in late 2010 since bottoming out in March 2009, according to the European Chemical Industry Council.

In view of improved business situation, the overall level of global merger and acquisition activities in the chemicals and related sectors has been showing a steady increase during 2010. Many companies were more proactive about increasing their geographic presence and exposure to emerging markets, particularly China.

It is reported that growth in the chemical industries of emerging nations should exceed 12% in 2010, with average gains of about 8% in 2011 and 2012. In particular, the outlook of the China's chemical industry is optimistic which attracts investment from various dominant enterprises in the industry.

What is more, growth force of the Chinese 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.

Tank containers mounted on a truck

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.

Hit by the worldwide financial crisis and high 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.

It is predicted that the percentage of urban population to total population in China will reach 48% by the end of 2011 and such rapid urbanisation will become a major driving force for fast economic development of the country.

China's GDP recorded a growth of over 10% in 2010 and increasing household income as well as purchasing power have come with the country's economic growth and increasing urbanisation.

For the coming five years, the total output volume of liquid food industry in China is expected to manage an annual growth of 12% to 15%.

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 markets. Total output volume of the nation's beer industry in 2010 was 448.3 million hectoliters which represented an increase of 6.3% over last year. China is expected to be the largest beer producer in the world for nine 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 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.

Product portfolio

The three business segments of the Group are primarily carried out by seven operating units under different brand names:

Energy equipment

- CNG seamless pressure cylinders
- CNG trailers
- LNG trailers and tanks
- CNG, LNG and liquefied compressed natural gas ("LCNG") refueling station systems
- LPG tank trucks and tanks
- Natural gas compressors
- Project engineering services, e.g. LNG application projects

Energy equipment is mainly sold under the brand names of "Enric", "Sanctum" and "Hongtu".

Chemical equipment

- Tank containers for chemical liquids, liquefied gas and cryogenic liquids

Tank containers are mainly sold under the brand name "Nantong CIMC".

Liquid food equipment

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

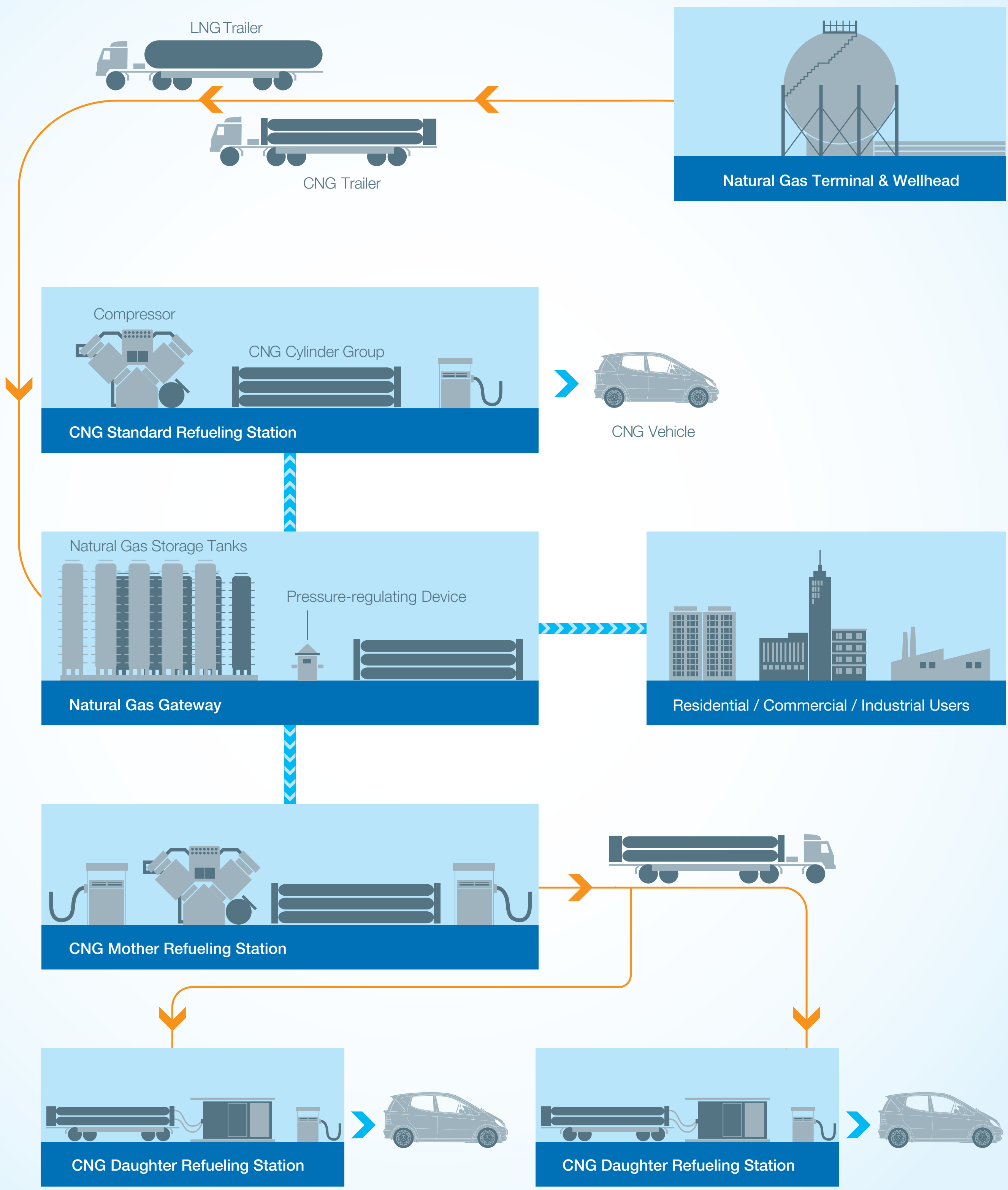
These products and services are branded under the name "Holvrieka".

Tank containers

Tank containers are pressure vessels constructed mainly from stainless steel and carbon steel designed for transporting internationally traded liquids, industrial gases and powders. They are a form of intermodal transportation equipment, as a solution for reducing handling cost of liquid cargoes between port, rail and road links. Tank container specifications were standardised to take advantage of the growing infrastructure for handling ISO freight containers, which enabled port, rail and road haulage operators to handle door-to-door movements of liquid cargo seamlessly.

Tank containers are an integral part of the growing international transport industry and they represent one of the most efficient, safest and cost effective methods for transporting liquids, industrial gases and powders. In many cases, the most efficient way of transporting hazardous cargos, such as industrial gases, is through custom-made cryogenic tanks. Tank containers are manufactured using precision technology, advanced materials and are constructed under stringent national and international guidelines. The average selling price of a tank container is around ten to fifteen times the average selling price of a dry freight container. Demand for tank containers derives primarily from the chemicals industry but also from markets such as foodstuffs and beverages.

Natural gas transportation, storage and distribution



Operational performance

During the year ended 31 December 2010, the energy equipment segment remained the top grossing segment of the Group with revenue rose by 32.0% to RMB2,391,970,000 (2009: RMB1,811,512,000) and accounted for 59.8% (2009: 59.3%) of the Group's total turnover. Within the segment, CNG equipment was the biggest revenue contributor with revenue increased by 24.5% to RMB1,417,324,000 (2009: RMB1,138,740,000); while the turnover of LNG equipment recorded a 20.3% growth to RMB745,251,000 (2009: RMB619,424,000) and revenue from LPG equipment surged by 330.0% to RMB229,395,000 (2009: RMB53,348,000).

The chemical equipment segment recorded a 83.8% increase in turnover to RMB1,198,268,000 (2009: RMB651,816,000) and made up 30.0% of the Group's total turnover (2009: 21.3%). Tank container, which is the dominant product of the segment, saw its sale volume doubled during the year and is the main driver for this segment's growth.

The liquid food equipment segment recorded a fall in the turnover of 31.3% from RMB594,138,000 in 2009 to RMB408,379,000 in 2010 and accounted for 10.2% of the Group's total turnover (2009: 19.4%). The fall in the segment's revenue is mainly attributed to a fall in the demand for storage and processing tanks as a result of the lingering slowdown in the investments in new production capacity in the liquid food industry.

Research and development

One of the key competitive edges of the Group is its dedication to R&D.

The energy equipment and chemical equipment arms of the Group have set up its own R&D centres locally in the PRC. Its liquid food equipment arm in Europe conducts R&D jointly with customers and makes products according to customers' technical 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 Zhejiang University (浙江大學), East China University of Science and Technology (華東理工大學), Shanghai Jiao Tong University (上海交通大學) and Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), and conducts research in collaboration with external professionals on project basis.

This year, the Group has developed a compact-size liquefaction device for coal seam gas. Such device is used in the upstream for liquefaction of coal seam gas for transportation in liquid state to the downstream.

The Group has successfully developed high pressure cylinders for high-purity specialty gas and obtained manufacturing license for it. The launching of this product last year signifies the Group being one of the leading manufacturers in the world which possesses the production capability for high-purity gas cylinders.

Development of products which feature high-tech and low-carbon content made significant progress. Larger-volume light-weight refueling station trailers and hydrogen refueling stations are under testing phase.

The Group successfully developed LNG storage tanks with a volume of 10,000cbm and hence becomes one of the few domestic manufacturers who have the capacity to make such large volume LNG storage tanks in the cryogenic equipment sector in China.

In 2010, the Group devoted RMB72,022,000 (2009: RMB43,049,000) to the R&D of new products and manufacturing technologies.

Production capacity

In the year, the Group invested RMB162,892,000 in capital expenditure.

The investment mainly went to the enhancement of production lines and construction of a new plant of the energy equipment segment in Jingmen, the PRC. Production capacity of the Jingmen production base has been increased by twice after the completion of the new production plant at the end of 2010.

A portion of the investment also went to the expansion of capacity of the energy equipment production facilities located in Shijiazhuang and Langfang as well as the chemical equipment production facilities in Nantong.

The Group's major production plants of energy equipment 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 Europe.

The Group is committed to building a wide and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group's top customers are big names, like PetroChina, China Resources Gas Group, ENN Energy, Sinopec, EXSIF, TAL International, GE SeaCo and Cronos.

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the year, the Group's revenue derived from overseas amounted to RMB1,568,253,000 (2009: RMB1,293,973,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America.

The set-up of representative office in South-east Asia has boosted local sales and allowed direct access to customers in surrounding regions. The Group is planning to set up more representative offices in various Asian countries to facilitate sales and promotion.

Meanwhile, by providing referral arrangement for finance lease, the Group is able to solicit and retain more customers especially under this competing business environment.

Cost control

During the year, the Group adhered to the cost control and management enhancement programs launched last year. Operational efficiency and quality have seen encouraging improvement with internal resources better allocated and shared among operating units.

Purchase of raw materials commonly used by different operating units of the Group has been centralised and made in bulk order. This effectively helps optimise inventory control and maximise cost efficiency.

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.

The Group intends to apply for manufacturing licenses from more countries so as to explore its products to more countries. 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 CNG trailers and other high pressure cylinder trailers in Changzhou, Urumqi, Xi'an, Shenyang and Haikou, the PRC. Construction of another one in Yangzhou is in progress and is expected to complete in the second half of 2011. These examination centres are authorised to provide safety examinations for high pressure cylinder trailers required for special-vehicle license renewal in accordance with relevant safety regulations.

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.

Performance based salary and bonus is implemented so as to boost motivation and morale and recognise outstanding employees. Share option is taken as a reward for past contributions and long-term incentives to Directors and core employees.

At 31 December 2010, the total number of employees of the Group was approximately 5,840. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB524,329,000 (2009: RMB413,494,000).

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

Due to the continuous rise in global demand for equipment of the storage and transportation of natural gas and specialty gases, particularly in China, the energy segment maintained a consistent and stable growth in 2010. Following the robust global economic recovery, chemical segment have resumed rapid growth due to an across-the-board turnaround of global trade. However, the business environment of liquid food equipment is still challenging, thus the recovery step was relatively lagged behind. As a result, the turnover for 2010 increased by 30.8% to RMB3,998,617,000 over the previous year (2009: RMB3,057,466,000). The performance of each segment is discussed below.

Energy equipment is the top grossing segment of the Group, its turnover rose by 32.0 % to RMB2,391,970,000 (2009: RMB1,811,512,000) and accounted for 59.8% (2009: 59.3%) of the overall turnover.

Chemical equipment segment's turnover surged significantly by 83.8% to RMB1,198,268,000 (2009: RMB651,816,000) and contributed 30.0% (2009: 21.3%) of the overall turnover, making it the second top grossing segment of the Group during 2010.

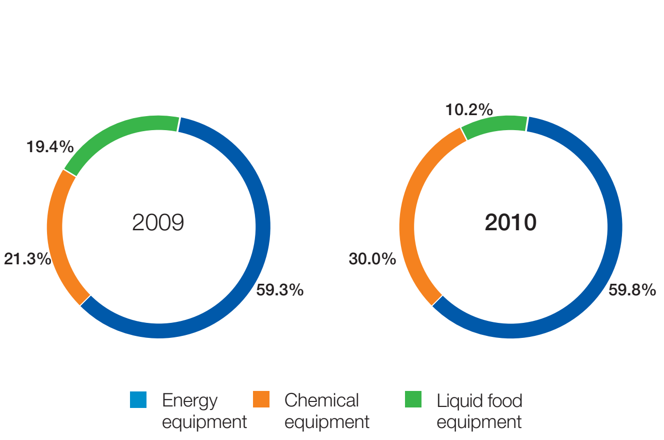
Turnover of liquid food equipment segment was RMB408,379,000 (2009: RMB594,138,000), representing a fall of 31.3%, and made up 10.2% (2009: 19.4%) of the overall turnover.

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly by 1.2 percentage points to 22.1% (2009: 23.3%). The drop in the segment's GP margin was mainly caused by a decrease in the GP margin of CNG storage and transportation products within the segment. The CNG storage and transportation products lowered its GP margin to further boost up the market share.

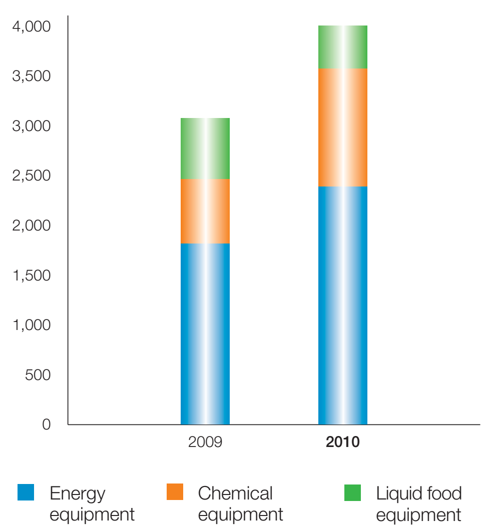
In relation to the chemical equipment segment, its GP margin saw a rebound from 1.8% in 2009 to 12.0% in the current year. The demand for tank container picked up significantly since the second quarter in 2010, which resulted in doubling-up of the sales volume in 2010. More importantly, the higher selling price and the improved production efficiency returned the segment's gross margin to a favourable level.

Segment Turnover Contribution



Turnover

RMB million



The GP margin for liquid food equipment segment remained stable at 18.6% (2009: 18.9%).

Due to the different contribution amongst respective segments on the overall GP margin, the improved GP margin of chemical equipment segment lifted the Group's overall GP margin slightly by 0.8 percentage point to 18.7% (2009: 17.9%).

Profit from operations expressed as a percentage of turnover increased by 0.4 percentage point to 9.4% (2009: 9.0%) which is attributable to two main reasons, namely the rebound in turnover and the effective control measures on human resources costs as well as the raw materials procurement. However, the degree of improvement is to certain extent offset by equity-settled share-based payment expenses of RMB39,897,000 (2009: RMB6,620,000) incurred in 2010.

Cost of sales

Cost of sales increased by 29.4% to RMB3,249,521,000 during 2010 (2009: RMB2,511,695,000). Within cost of sales, 86.1% (2009: 83.7%), 5.8% (2009: 6.7%), 1.8% (2009: 2.6%) and 6.3% (2009: 7.0%) were attributable to raw materials, wages, depreciation and factory overheads respectively. The proportion of wages, depreciation and factory overheads decreased in 2010 due to improvement in operational efficiency.

Other revenue

Other revenue totalling RMB123,758,000 in 2010 (2009: RMB118,176,000) comprised of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in the bank interest income earned during 2010. The surge of other operating revenue is in line with the rebound of production activities, however, which has been offset by the fall in government grants.

Selling expenses

Selling expenses increased by 27.6% to RMB153,265,000 (2009: RMB120,115,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increased at a slower pace than that of turnover as the cost of human resources remained stable despite a higher turnover which offset the increment in transportation expenses and product warranty and commission.

Administrative expenses

Administrative expenses increased by 18.2% to RMB336,284,000 (2009: RMB284,395,000) which is slower than the rise in turnover. This was mainly because of the reversal of the previous impairment provision on inventories and receivables. In addition, part of the fair value of share options granted to Directors, employees and other eligible persons totalling RMB39,897,000 (2009: 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 expenses/income

Other net expenses increased to RMB6,348,000 in 2010 (2009: other net income RMB1,024,000) which comprised loss on disposal of property, plant and equipment, loss on disposal of intangible assets, charitable donations and various miscellaneous expenses. The rise in current year's other net expenses was mainly attributable to the rise of other miscellaneous net expenses and the loss on disposal of intangible assets.

Finance costs

During 2010, finance costs fell by 70.9% to RMB11,697,000 (2009: RMB40,242,000). Finance costs mainly comprised bank loan and other borrowings interest of RMB11,990,000 (2009: RMB22,095,000). In 2010, the Group kept repaying the bank loans gradually thus making the average loan balance during 2010 to a much lower level. As a result, interest expenses reduced substantially in 2010. Even more, the rise of exchange gain to RMB1,638,000 in 2010 from a loss of RMB14,371,000 in 2009 has further reduced the finance cost.

Taxation

Tax expenses for the Group surged by 145.0% to RMB83,589,000 in 2010 (2009: RMB34,124,000) which are mainly attributable to the strong operating performance of the Group. Apart from this, the substantial change in deferred tax expenses due to the reversal of the previous impairment provision on inventories and receivables as well as the change in tax rate further boost up the tax expenses during the year.

Financial Resources Review

Liquidity and financial resources

At 31 December 2010, the Group recorded cash on hand of RMB941,109,000 (2009: RMB872,640,000) and bank loans and overdrafts of RMB121,679,000 (2009: RMB193,151,000). A portion of the Group's bank deposits totalling RMB118,077,000 (2009: RMB77,940,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit, bills payable and bank loans. 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 2010, the Group's bank loans and overdrafts amounted to RMB121,679,000 (2009: RMB193,151,000) and apart from the HKD45,000,000 (equivalent to RMB39,564,000) three-year term loan that bears interest at floating rates, the remaining bank loans bear interest at rates from 1.97% to 5.04% per annum and repayable within one year. At 31 December 2010, bank overdrafts of RMB11,976,000 (2009: RMB6,145,000) were secured by a pledge on buildings which had a carrying value of RMB4,085,000 (2009: RMB5,751,000). At 31 December 2010, secured bank loans of RMB19,769,000 (2009: Nil) were secured by a pledge of restricted bank deposits which had a carrying amount of RMB19,769,000 (2009: Nil). As of 31 December 2010, bank loans amounting to RMB84,564,000 (2009: RMB182,148,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2009: zero times) as the Group retained a net cash balance of RMB819,430,000 (2009: RMB679,489,000). The Group's interest coverage was 31.5 times for 2010 (2009: 11.6 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2010, net cash generated from operating activities amounted to RMB305,697,000 (2009: RMB788,270,000). The Group drew bank loans of RMB39,769,000 (2009: RMB440,675,000) and repaid RMB117,584,000 (2009: RMB492,685,000).

Assets and liabilities

At 31 December 2010, total assets of the Group amounted to RMB4,848,476,000 (2009: RMB4,296,521,000) while total liabilities were RMB2,033,833,000 (2009: RMB1,721,029,000). The net asset value rose by 9.3% to RMB2,814,643,000 (2009: RMB2,575,492,000) which was mainly attributable to the net profit of RMB282,412,000 but offset by exchange difference on translation of financial statements of overseas subsidiaries of RMB83,158,000 for the year. As a result, the net asset value per share increased to RMB1.503 at 31 December 2010 from RMB1.375 at 31 December 2009.

Contingent liabilities

At 31 December 2010, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2010, the Group had contracted but not provided for capital commitments of RMB123,625,000 (2009: RMB66,589,000). As of 31 December 2010, the Group did not have authorised but not contracted for capital commitments (2009: RMB6,393,000).

Foreign exchange exposure

The Group is exposed to foreign currency risk primarily through trade transactions that are denominated in a currency other than 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 conducting its business activities and raising funds primarily 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 2010, the Group had total capital commitments of RMB123,625,000.

Directors and Senior Management

Directors

Mr. Zhao Qingsheng

Chairman and Executive Director

Mr. Zhao, aged 58, 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 46, 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 57, 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 45, 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 is currently a non-executive director of TSC Offshore Group Limited (shares of which are listed on the Main Board of the Stock Exchange). He holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director, Nomination Committee chairman

Mr. Jin, aged 47, 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 ENN Energy Holdings Limited (formerly known as Xinao Gas Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange) 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 57, 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 38, 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 Rothschild (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. Tsui Kei Pang

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

Mr. Tsui, aged 50, 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.

Mr. Zhang Xueqian

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

Mr. Zhang, aged 61, joined the Group as an Independent Non-executive Director since September 2010. He received a PhD degree in accounting from Xi'an Jiaotong University (西安交通大學) and a master's degree in economics from Wuhan University (武漢大學). He is a registered accountant in the PRC. Presently, Mr. Zhang is a professor of the Business School of University of International Business and Economics (對外經濟貿易大學國際商學院) in the PRC, and was a former associate dean of the school. He was also a senior member of the Chinese Society of Technology and Economics (中國技術經濟研究會) and a researcher of Beijing Asia-Pacific Research Center of China Financial Accounting (北京亞太華夏財務會計研究中心). Mr. Zhang possesses strong academic background in accounting and finance.

Senior Management

Mr. Ren Yingjian

Deputy General Manager

Mr. Ren, aged 55, is responsible for assisting the General Manager in overseeing 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 42, is responsible for assisting the General Manager in overseeing 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 39, 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 many 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 General Manager of the Company;
- Directors' Duties to Disclosures; and
- Code for Securities Transactions by Relevant Persons.

Throughout the year ended 31 December 2010, the Company complied with all the code provisions set out in the CG Code.

Board of Directors

The board

The Board assumes the responsibility for leadership and control of the 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 2010 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 2009 and 2010, and for the six months ended 30 June 2010 respectively;
- reviewed the continuing connected transactions of the Group;
- reviewed and refined the corporate governance practices of the Group;
- reviewed and revised the Group's internal guidelines namely, the "Code for Securities Transactions by Relevant Persons" and the "Director and Senior Management Remuneration Policy";
- reviewed and determined the remuneration packages of all Directors;
- reviewed the effectiveness of internal controls taken by the Group;
- proposed for shareholders' approval at the forthcoming AGM the refreshment of the number of options to be granted under the share option scheme approved by the shareholders on 12 July 2006;
- approved the appointment and resignation of Directors; and
- approved the maximum aggregated annual values of the continuing connected transactions contemplated under the product sales agreement and the subcontracting services agreement entered into with CIMC for the three financial years ending 31 December 2011, 2012 and 2013 (the "CCTs with CIMC").

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.

Board of Directors *(Continued)*

Board composition

The Board consists of nine members of which three are Independent Non-executive Directors which constitutes one-third of the Board, bringing in a sufficient independent voice. The other members are four Executive Directors and two 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 director names.

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 18 to 20 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 2010 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 advisor or compliance advisor 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.

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 18 to 20 and on the Company's website.

Board of Directors *(Continued)*

Responsibilities of directors *(Continued)*

The Company has issued and adopted it own Code for Securities Transactions by Relevant Persons as the code of conduct regarding dealing in securities of the Company by the Directors and specific employees of the Company or its subsidiaries who, because of his office or employment in the Company or such subsidiary, is or is likely to be in possession of unpublished price-sensitive information in relation to the Company or its securities. Such code is on terms no less exacting than those set out in the Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

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 2010.

Director's attendance

	No. of meetings attended during 2010			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhao Qingsheng *(Chairman)*	4/5	–	–	–
Mr. Gao Xiang *(General Manager)*	4/5	–	–	–
Mr. Jin Jianlong	2/5	–	1/1	–
Mr. Yu Yuqun	2/5	–	–	–
Non-executive Directors				
Mr. Jin Yongsheng	3/5	–	–	1/1
Mr. Petrus Gerardus Maria van der Burg	2/5	–	–	–
Independent Non-executive Directors				
Mr. Wong Chun Ho	3/5	3/3	–	1/1
Mr. Tsui Kei Pang	3/5	3/3	1/1	–
Mr. Zhang Xueqian *(Note1)*	1/1	–	–	–
Mr. Gao Zhengping *(Note 2)*	2/4	3/3	1/1	1/1

	No. of meetings attended during 1 January 2011 to the date of this report			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhao Qingsheng *(Chairman)*	1/1	–	–	–
Mr. Gao Xiang *(General Manager)*	1/1	–	–	–
Mr. Jin Jianlong	1/1	–	1/1	–
Mr. Yu Yuqun	0/1	–	–	–
Non-executive Directors				
Mr. Jin Yongsheng	1/1	–	–	–
Mr. Petrus Gerardus Maria van der Burg	1/1	–	–	–
Independent Non-executive Directors				
Mr. Wong Chun Ho	1/1	3/3	–	–
Mr. Tsui Kei Pang	1/1	3/3	1/1	–
Mr. Zhang Xueqian	1/1	3/3	1/1	–

Board of Directors *(Continued)*

Director's attendance *(Continued)*

Notes:

1. Mr. Zhang Xueqian was appointed as an Independent Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively, all with effect from 30 September 2010.

2. Mr. Gao Zhengping resigned as an Independent Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively, all with effect from 30 September 2010.

Appointments and Resignations of Directors

The Company has the "Policy on the Appointment of Directors" in place 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.

Mr. Gao Zhengping resigned as an Independent Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively for purpose of concentrating his time and effort on his academic duties and commitments, all with effect from 30 September 2010.

Mr. Zhang Xueqian was appointed as an Independent Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively, all with effect from 30 September 2010. Fulfilled a casual vacancy left by Mr. Gao Zhengping in the Board, Mr. Zhang was re-elected by shareholders at the EGM held on 31 January 2011.

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 were 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.

Board committees

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

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

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

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee

The Audit Committee is chaired by Mr. Wong Chun Ho, who possesses professional accounting and financial qualifications. Its other members are Mr. Tsui Kei Pang and Mr. Zhang Xueqian. 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.

The committee meets the external auditor and senior management of the Company (including accounting and finance management) regularly. During 2010 and up to the date of this report, the committee held six meetings and reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for each of the two years ended 31 December 2009 and 2010;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2010, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the two years ended 31 December 2009 and 2010, and the interim results for the six months ended 30 June 2010 with the external auditor;
- the continuing connected transactions of the Group during 2009 and 2010 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 policy for provision of non-audit services by external auditor;
- the external auditor's management letters and the management's response thereto; and
- the effectiveness of internal control system of the Group for 2010.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

In 2010 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 2010	520,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2010	4,291,000

Save as disclosed above, the Group did not engage KPMG for any other services during 2010 and up to the date of this report.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Jin Jianlong, an Executive Director. Its other members are Mr. Tsui Kei Pang an Mr. Zhang Xueqian, 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 2010 and up to the date of this report, the Remuneration Committee had, amongst others:

- having consulted the Chairman of the Board, reviewed and determined the remuneration package of the Director appointed in the year;
- reviewed and revised the Director and Senior Management Remuneration Policy of the Company;
- having consulted the Chairman of the Board, reviewed and determined the remuneration packages of the Executive Directors and the Non-executive Directors.

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. Zhang Xueqian, 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 2010 and up to the date of this report, the Nomination Committee had, amongst others:

- reviewed the appointment and resignation of Directors;
- determined and recommended to the Board the term of office of the Director appointed 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 three months and two 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 33 to 43. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 44.

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.

The internal audit division of the Company is responsible for monitoring the internal control systems of the Group. 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.

Accountability and Audit *(Continued)*

Internal controls *(Continued)*

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 (as defined in the Listing Rules) of the Group are required to follow the Code for Securities Transactions by Relevant Persons 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 year ended 31 December 2010.

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 year.

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 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 or member(s) 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.

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

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.

General meetings held in 2010

In 2010, the Company held one AGM and one EGM.

The most recent general meeting was the EGM held on 31 January 2011 at Mont Blanc Room, 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 CCTs with CIMC; and

- the re-election of Mr. Zhang Xueqian as an Independent Non-executive Director.

Full text of the above resolutions is set out in the notice of EGM of the Company dated 12 January 2011. 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 2010, no amendments were made to the Articles.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 21 March 2011

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 2010.

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 17 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 2010 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 45 to 113.

Dividends and Reserves

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: nil).

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 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 2010 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	5.3%	–
Five largest customers in aggregate	16.9%	–
The largest supplier	–	6.7%
Five largest suppliers in aggregate	–	24.3%

Notes:

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 13 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 35 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB159,000 (2009: RMB379,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2010 are set out in note 26 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. Tsui Kei Pang
Mr. Zhang Xueqian

On 30 September 2010, Mr. Gao Zhengping resigned as an Independent Non-executive Director, and Mr. Zhang Xueqian was appointed as an Independent Non-executive Director on the same date.

At the forthcoming AGM, Mr. Zhao Qingsheng, Mr. Jin Jianlong and Mr. Yu Yuqun will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

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 2010, 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

Name of Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
Zhao Qingsheng	Beneficial owner	Ordinary	214,000	0.02%
Jin Yongsheng	Beneficial owner	Ordinary	246,000	0.03%
Mr. van der Burg	Interest of controlled corporation	Ordinary	103,905,085 *(Note 2)*	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 2010, which were 857,452,201 and 1,015,641,321 respectively.

2. 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 38 to 39.

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	Zhao Qingsheng	Beneficiary of a trust *(Note 1)*	3,000,000	1.36% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,000,000	0.45% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
CIMC	Zhao Qingsheng	Beneficial owner *(Note 3)*	1,500,000	0.06% *(Note 4)*
	Gao Xiang	Beneficial owner *(Note 3)*	500,000	0.02% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. (formerly known as 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 115,320,000 units were allocated as at 31 December 2010. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,000,000 units, 1,000,000 units, 2,000,000 units and 2,000,000 units allocated respectively. CIMC Vehicle Group holds as to 100% of CIMC Vehicle. Hence, Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu are deemed to be interested in the relevant class of shares of the Company held by CIMC Vehicle as a beneficiary of a trust.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2010, which was 220,770,000.

3. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB12.39 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC in issue as at 31 December 2010, which was 2,662,396,051.

Save as disclosed above, as at 31 December 2010, 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 2010, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2010, 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 *(Note 2)*	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	12.12%
The Hamon Investment Group Pte Limited	Investment manager	Ordinary	69,904,000	8.15%
The Dreyfus Corporation	Investment manager	Ordinary	51,542,000	6.01%

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 2010, 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 877,227,155 preference shares held by CIMC HK and 138,414,166 preference shares held by CIMC Vehicle. CIMC HK is wholly owned by CIMC and 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 directly held by CIMC HK as to 100%.

Save as disclosed above, as at 31 December 2010, (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 2010, movements of the options under the Scheme were as follows:

			Number of share options				
Grantee	Date of grant	Exercisable period *(Note 1)*	outstanding at 1 January 2010	granted during the year	exercised during the year	lapsed during the year	outstanding at 31 December 2010
Directors							
Zhao Qingsheng	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	–	–	(500,000)	5,600,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	28,300,000	–	–	(1,875,000)	26,425,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	9,350,000	–	–	–	9,350,000
Total			43,750,000	–	–	(2,375,000)	41,375,000

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(s) and note 29 to the financial statements.

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

As at the date of this report, a total of 42,145,000 shares, representing 4.92% of the issued ordinary share capital of the Company, are available for issue under the Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the year ended 31 December 2010.

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
Zhao Qingsheng	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 engineering services in respect of liquid food	director and chairman of the board
Gao Xiang	Nantong Transport	(same as above)	director
	NCLS	(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

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.

Directors' Interests in Competing Business *(Continued)*

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 continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review:

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 from 1 January 2008 to 31 December 2010. During the year, the Group's sale to the CIMC Group was RMB95,819,000.

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 RMB37,178,000.

On 14 August 2009, the Group entered into a master sale of tanks agreement with Burg Industries B.V. ("Burg Industries") *(Note 2)* under which the Group agreed to sell to the Burg Industries and its subsidiaries and associates (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 RMB15,229,000.

On 14 August 2009, the Group entered into two master supply of spare parts agreements respectively with CIMC for the provision of spare parts by the CIMC Group, and with Burg Industries for the provision of spare parts by the Burg Industries Group, both for a term from 14 August 2009 to 31 December 2011. During the year, the Group's total purchase from CIMC Group and Burg Industries Group amounted to RMB114,806,000.

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. During the year, the service charge incurred was RMB4,481,000.

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 medical expenses) 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 RMB3,275,000.

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 RMB3,290,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

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

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

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

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

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged 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.

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 2010.

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.

The Company's corporate governance report is set out on pages 21 to 32. 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 2010.

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, 21 March 2011

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") and its subsidiaries (together the "Group") set out on pages 45 to 113, which comprise the consolidated and company balance sheet as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2010 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 Hong Kong Companies Ordinance.

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

21 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	3 &12	**3,998,617**	3,057,466
Cost of sales		**(3,249,521)**	(2,511,695)
Gross profit		**749,096**	545,771
Change in fair value of derivative financial instruments		**741**	14,426
Other revenue	4	**123,758**	118,176
Other net (expenses)/income	4	**(6,348)**	1,024
Selling expenses		**(153,265)**	(120,115)
Administrative expenses		**(336,284)**	(284,395)
Profit from operations		**377,698**	274,887
Finance costs	5(a)	**(11,697)**	(40,242)
Profit before taxation	5	**366,001**	234,645
Income tax	6	**(83,589)**	(34,124)
Profit for the year		**282,412**	200,521
Attributable to:			
Equity shareholders of the Company		**276,901**	199,731
Non-controlling interests		**5,511**	790
Profit for the year		**282,412**	200,521
Earnings per share	11		
– Basic		**RMB0.148**	RMB0.107
– Diluted		**RMB0.148**	RMB0.107

The notes on pages 53 to 113 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Profit for the year	**282,412**	200,521
Other comprehensive income for the year		
Exchange difference on translation of:		
– financial statements of overseas subsidiaries	**(83,158)**	7,859
Total comprehensive income for the year	**199,254**	208,380
Attributable to:		
Equity shareholders of the Company	**193,743**	207,590
Non-controlling interests	**5,511**	790
Total comprehensive income for the year	**199,254**	208,380

The notes on pages 53 to 113 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	**961,691**	884,932
Construction in progress	14	**65,439**	135,411
Lease prepayments	15	**194,119**	203,027
Intangible assets	16	**42,074**	55,857
Prepayments		**24,019**	190
Goodwill	18	**42,783**	43,046
Deferred tax assets	31(b)	**28,926**	32,848
Other financial assets	19	**1,744**	5,689
		1,360,795	1,361,000
Current assets			
Derivative financial instruments	20	**724**	39
Inventories	21	**1,324,741**	905,999
Trade and bills receivable	22	**878,630**	901,961
Deposits, other receivables and prepayments	23	**310,006**	242,272
Amounts due from related parties	37(b)	**32,471**	12,610
Cash at bank and in hand	25	**941,109**	872,640
		3,487,681	2,935,521
Current liabilities			
Derivative financial instruments	20	**–**	261
Bank loans and overdrafts	26	**99,699**	153,587
Trade and bills payable	27	**872,040**	651,883
Other payables and accrued expenses	28	**712,414**	536,127
Income tax payable	31(a)	**22,585**	37,488
Amounts due to related parties	37(b)	**56,943**	47,342
Provisions	30	**29,240**	24,112
Employee benefit liabilities	33	**228**	255
		1,793,149	1,451,055
Net current assets		**1,694,532**	1,484,466
Total assets less current liabilities		**3,055,327**	2,845,466

The notes on pages 53 to 113 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Provisions	30	**15,966**	18,803
Deferred income	32	**102,334**	110,036
Employee benefit liabilities	33	**1,933**	2,293
Deferred tax liabilities	31(b)	**98,471**	99,278
Bank loans	26	**21,980**	39,564
		240,684	269,974
NET ASSETS		**2,814,643**	2,575,492
CAPITAL AND RESERVES			
Share capital	34(b)	**17,235**	17,235
Reserves		**2,782,570**	2,548,930
Equity attributable to equity shareholders of the Company		**2,799,805**	2,566,165
Non-controlling interests		**14,838**	9,327
TOTAL EQUITY		**2,814,643**	2,575,492

Approved and authorised for issue by the Board of Directors on 21 March 2011.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 53 to 113 form part of these financial statements.

Balance Sheet

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Investments in subsidiaries	17	**4,468,583**	4,641,486
Property, plant and equipment	13(b)	**909**	670
		4,469,492	4,642,156
Current assets			
Other receivables		**1,082**	977
Amounts due from subsidiaries	38	**217,245**	228,754
Amounts due from related party		**73**	–
Cash at bank and in hand	25	**385**	1,200
		218,785	230,931
Current liabilities			
Other payables and accrued expenses		**770**	269
Amounts due to related parties		**–**	59
Amounts due to a subsidiary	38	**22,124**	–
		22,894	328
Net current assets		**195,891**	230,603
Total assets less current liabilities		**4,665,383**	4,872,759
NET ASSETS		**4,665,383**	4,872,759
CAPITAL AND RESERVES	34		
Share capital		**17,235**	17,235
Reserves		**4,648,148**	4,855,524
TOTAL EQUITY		**4,665,383**	4,872,759

Approved and authorised for issue by the Board of Directors on 21 March 2011.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 53 to 113 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000 34(c)(i)	Contributed surplus RMB'000 34(c)(ii)	Capital reserve RMB'000 34(c)(iii)	Exchange reserve RMB'000 34(c)(v)	General reserve fund RMB'000 34(c)(iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	4,769	287,517	819,672	–	(121,816)	55,798	1,306,015	2,351,955	–	2,351,955
Profit for the year	–	–	–	–	–	–	199,731	199,731	790	200,521
Other comprehensive income	–	–	–	–	7,859	–	–	7,859	–	7,859
Total comprehensive income	–	–	–	–	7,859	–	199,731	207,590	790	208,380
Issuance of shares	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)	–	–	–
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
At 1 January 2010	17,235	287,517	807,206	6,620	(113,957)	66,898	1,494,646	2,566,165	9,327	2,575,492
Profit for the year	–	–	–	–	–	–	276,901	276,901	5,511	282,412
Other comprehensive income	–	–	–	–	(83,158)	–	–	(83,158)	–	(83,158)
Total comprehensive income	–	–	–	–	(83,158)	–	276,901	193,743	5,511	199,254
Equity-settled share-based transactions	–	–	–	39,897	–	–	–	39,897	–	39,897
Transfer to general reserve	–	–	–	–	–	21,201	(21,201)	–	–	–
At 31 December 2010	17,235	287,517	807,206	46,517	(197,115)	88,099	1,750,346	2,799,805	14,838	2,814,643

The notes on pages 53 to 113 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		366,001	234,645
Adjustments for:			
Depreciation and amortisation		107,101	97,697
Change in fair value of derivative financial instruments		(741)	(14,426)
Interest income	4	(14,848)	(3,289)
Interest charges	5(a)	11,990	22,095
Loss on disposal of property, plant and equipment	4	421	1,118
Loss on disposal of intangible assets		1,829	–
Equity-settled share-based payment expenses	5(b)	39,897	6,620
Foreign exchange (gain)/loss	5(a)	(1,638)	14,371
Operating profit before changes in working capital		510,012	358,831
(Increase)/decrease in inventories		(418,742)	505,488
Decrease in trade and bills receivable		27,762	97,865
(Increase)/decrease in deposits, other receivables and prepayments		(67,734)	128,007
(Increase)/decrease in amounts due from related parties		(19,861)	153,758
Increase in restricted bank deposits for letters of credit and bills payable		(40,137)	(34,162)
Increase in trade and bills payable		220,157	8,780
Increase/(decrease) in other payables and accrued expenses		176,287	(104,098)
Increase/(decrease) in amounts due to related parties		9,601	(397,599)
Decrease in employee benefit liabilities		(387)	(166)
(Decrease)/increase in deferred income		(6,678)	110,036
Increase in provisions		4,144	5,078
Cash generated from operations		394,424	831,818
Income tax paid	31(a)	(88,727)	(43,548)
Net cash from operating activities		305,697	788,270

The notes on pages 53 to 113 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(137,880)**	(158,576)
Payment for lease prepayments		**(93)**	(96,213)
Payment for intangible assets		**(1,090)**	(2,224)
Payment of deposits for lease prepayments		**(23,829)**	–
Proceeds from disposal of property, plant and equipment		**1,870**	13,230
Proceeds from sale of held-to-maturity debt securities		**3,945**	3,623
Government grants		**–**	76,621
Acquisition of a subsidiary		**–**	(37,278)
Interest received		**14,848**	3,289
Net cash used in investing activities		**(142,229)**	(197,528)
Financing activities			
Proceeds from new bank loans		**39,769**	440,675
Repayment of bank loans		**(117,584)**	(492,685)
Interest paid		**(11,990)**	(22,095)
Payment for settlement of derivatives		**(205)**	(14,230)
Net cash used in financing activities		**(90,010)**	(88,335)
Net increase in cash and cash equivalents		**73,458**	502,407
Cash and cash equivalents at 1 January		**783,697**	278,422
Effect of foreign exchange rate changes		**(51,469)**	2,868
Cash and cash equivalents at 31 December		**805,686**	783,697

The notes on pages 53 to 113 form part of these financial statements.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2010 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

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 since 1 January 2009, rather than from 14 August 2009. The consolidated financial statements of the Group for the year ended 31 December 2009 include the financial statements of the Company and its subsidiaries with effect from 1 January 2009 or where their respective dates of establishment are at a date later than 1 January 2009, from the respective dates of establishment, as if the current combined entity had been in existence for the year ended 31 December 2009.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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(e)); and

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

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 41.

(c) Subsidiaries and non-controlling 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.

Non-controlling interests (previously known as “minority interests”) represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(o), (p) or (q) depending on the nature of the liability.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)).

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

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the income statement as a gain on a bargain purchase.

Goodwill is stated at cost less 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(k)).

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

(e) Investments in 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 at amortised cost less impairment losses (see note 1(k)).

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(k)).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 the income statement, 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.

(g) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

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(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to the income statement.

(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(k)). 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)*

(h) 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(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). 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 at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to the income statement 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.

(i) Lease prepayments

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

(j) 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 the income statement 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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(k)(ii)) 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.

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 the income statement. 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 the income statement. The amount of the cumulative loss that is recognised in the income statement 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 the income statement.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

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

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 the income statement.

(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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

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

– Recognition of impairment losses

An impairment loss is recognised in the income statement if 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 the income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities 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.

(l) Inventories

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) 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(v)(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 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 under "Trade and bills receivable". Amounts received before the related work is performed are presented as "Advances received" under "Other payables and accrued expenses".

(n) 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(k)), 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.

(o) 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 the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) 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(o) and accordingly dividends thereon are recognised on an accruals basis in the income statement as part of finance costs.

(q) 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.

(r) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

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 income statement 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) Jubilee benefits

Jubilee benefits ascribed to past service are calculated and added to the staff remuneration provision. Changes in the provision are recognised in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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 the income statement 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 end balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

(u) 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.

(v) 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 the income statement 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(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 the income statement at the time when services are rendered.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement 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 the income statement 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.

(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 the income statement as income when the grants become receivable.

Other government grants are presented initially in the balance sheet and shall be recognised in the income statement 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 the subsidy of acquiring assets are presented as deferred income in the balance sheet and are recognised in the income statement on a systematic and rational basis over the useful lives of the assets. Grants related to compensating expenses are recognised in the income statement on a systematic and rational basis in the same period as those expenses are charged in the income statement and are deducted in reporting the related expenses.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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 the income statement.

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 the income statement when the profit or loss on disposal is recognised.

(x) 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.

(y) 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;

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

(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.

(z) 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 two revised HKFRS, a number of amendments to HKFRSs and two 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 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Improvements to HKFRSs (2009)
- HK(Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*

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

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The "Improvements to HKFRSs (2009)" 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. The issuance of HK(Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a noncash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in the income statement, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in the income statement, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interests at fair value.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 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.

4 OTHER REVENUE AND OTHER NET (EXPENSES)/INCOME

		2010 **RMB'000**	2009 RMB'000
Other revenue			
Government grants	(i)	**23,837**	76,621
Other operating revenue	(ii)	**84,818**	38,199
Interest income from bank deposits		**14,848**	3,289
Others		**255**	67
		123,758	118,176

(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.

	2010 **RMB'000**	2009 RMB'000
Other net (expenses)/income		
Net loss on disposal of property, plant and equipment	**(421)**	(1,118)
Net loss on disposal of intangible assets	**(1,829)**	–
Charitable donations	**(159)**	(379)
Other net (expenses)/income	**(3,939)**	2,521
	(6,348)	1,024

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2010 RMB'000	2009 RMB'000
Interest on bank loans and other borrowings	11,990	22,095
Foreign exchange (gain)/loss	(1,638)	14,371
Finance charges	1,345	3,776
	11,697	40,242

(b) Staff costs[i]

	2010 RMB'000	2009 RMB'000
Salaries, wages and allowances	450,478	388,331
Contributions to retirement schemes (note 35)	33,954	18,543
Equity-settled share-based payment expenses (note 29)	39,897	6,620
	524,329	413,494

(c) Other items

	2010 RMB'000	2009 RMB'000
Cost of inventories[i]	3,249,521	2,511,695
Auditors' remuneration	5,188	4,876
Depreciation of property, plant and equipment[i]	94,095	85,395
Amortisation of intangible assets	8,734	8,591
Amortisation of lease prepayments	4,272	3,711
Reversal of impairment provision for trade receivables	(10,846)	–
Impairment losses for trade receivables	–	20,496
Impairment losses for other receivables	511	291
Write-down of inventories	22,408	32,013
Reversal of write-down of inventories	(34,421)	(48,648)
Research and development costs	72,022	43,049
Operating lease charges for property rental	4,265	4,320
Provision for product warranties	17,032	18,380

(i) Cost of inventories includes RMB339,333,000 (2009: RMB299,357,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for the year	**76,254**	36,626
(Over)/under – provision in respect of prior years	**(1,923)**	1,268
	74,331	37,894
Deferred tax		
Origination and reversal of temporary differences	**9,258**	(3,770)
	83,589	34,124

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 (the "Tax Law") which takes effect on 1 January 2008. As a result of the 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 Tax Law, the existing preferential tax rate currently enjoyed by the Company's subsidiaries in the PRC 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.

Pursuant to the relevant laws and regulations in the PRC, the Company's certain subsidiaries in the PRC are entitled to a preferential tax treatment applicable to advanced and new technology enterprises and are subject to income tax rate at 15%.

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

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

During the year ended 31 December 2010, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and preferential tax treatment, and accordingly the Company's subsidiaries in PRC were subject to income tax at 12.5% to 25% (2009: 12.5% to 25%).

Pursuant to the 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 the 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. As at 31 December 2010, deferred tax liability recognised in this regard was RMB36,480,000 (2009: RMB27,240,000) (see note 31(b)).

Taxation of Dutch subsidiaries, Belgian subsidiary and Danish subsidiary are charged at the current rates of 25.5%, 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:

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**366,001**	234,645
Notional tax on profit before taxation, calculated at the applicable rates	**110,042**	73,198
Tax effect of tax holiday granted	**(43,922)**	(27,133)
Tax incentives granted	**(637)**	(19,892)
Effect of changes in tax rates	**10,125**	(2,330)
Tax effect of non-taxable income	**(1,427)**	–
Tax effect of non-deductible expenses	**1,305**	2,905
Tax effect of unused tax losses not recognised	**1,738**	988
Deferred tax charge on distributable profits	**9,240**	5,120
(Over)/under-provision in prior years	**(1,923)**	1,268
Utilisation of tax losses	**(952)**	–
Actual tax expense	**83,589**	34,124

7 DIRECTORS' REMUNERATION

Details of directors' remuneration for the year ended 31 December 2010 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 (iii)	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	971	971
Executive Directors:							
Gao Xiang	–	737	8	–	745	971	1,716
Jin Jianlong	–	–	–	–	–	777	777
Yu Yuqun	–	–	–	–	–	777	777
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	485	485
Petrus Gerardus Maria van der Burg	–	–	–	–	–	971	971
Independent Non-executive Directors:							
Gao Zhengping (i)	78	–	–	–	78	–	78
Tsui Kei Pang	104	–	–	–	104	–	104
Wong Chun Ho	104	–	–	–	104	485	589
Zhang Xueqian (ii)	25	–	–	–	25	–	25
	311	737	8	–	1,056	5,437	6,493

(i) Resigned on 30 September 2010.

(ii) Appointed on 30 September 2010.

(iii) 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 29.

7 DIRECTORS' REMUNERATION *(Continued)*

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 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 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.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five (2009: five) individuals with the highest emoluments are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	**6,213**	7,530
Retirement scheme contributions	**187**	292
	6,400	7,822

The emoluments of the five (2009: five) individuals with the highest emoluments are within the following band:

	2010 Number of individuals	2009 Number of individuals
Nil – HKD 1,000,000	**2**	–
HKD 1,000,001 – HKD 1,500,000	**2**	2
HKD 1,500,001 – HKD 2,000,000	**–**	2
HKD 2,000,001 – HKD 2,500,000	**–**	–
HKD 2,500,001 – HKD 3,000,000	**1**	1

9 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company includes a loss of RMB65,458,000 (2009: RMB17,374,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2010 (2009: Nil).

11 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 since 1 January 2009, 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 since 1 January 2009.

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

	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**276,901**	199,731

	2010	2009
Number of shares		
Weighted average number of ordinary shares at 31 December	**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 options scheme (note 29)	**1,700,818**	551,515
Weighted average number of shares for the purpose of diluted earnings per share	**1,874,794,340**	1,873,645,037

12 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 compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors.

- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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 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 an individual reportable segment, such as directors' remuneration, auditors' remuneration and other head office or corporate administrative 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.

12 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Revenue from external customers	**2,391,970**	1,811,512	**1,198,268**	651,816	**408,379**	594,138	**3,998,617**	3,057,466
Inter-segment revenue	**12**	77	**–**	–	**–**	–	**12**	77
Reportable segment revenue	**2,391,982**	1,811,589	**1,198,268**	651,816	**408,379**	594,138	**3,998,629**	3,057,543
Reportable segment profit (adjusted profit from operations)	**302,991**	246,494	**134,382**	41,150	**22,865**	38,470	**460,238**	326,114
Interest income from bank deposits	**4,655**	1,214	**1,823**	659	**8,352**	1,406	**14,830**	3,279
Interest expense	**(2,443)**	(12,425)	**(2,691)**	(7,024)	**(6,058)**	(3,647)	**(11,192)**	(23,096)
Depreciation and amortisation for the year	**(55,239)**	(45,658)	**(21,235)**	(18,328)	**(30,626)**	(33,711)	**(107,100)**	(97,697)
Reportable segment assets	**2,773,595**	2,496,378	**1,332,063**	981,750	**679,813**	792,679	**4,785,471**	4,270,807
Additions to non-current segment assets during the year	**188,120**	182,863	**11,113**	111,884	**259**	4,079	**199,492**	298,826
Reportable segment liabilities	**1,195,906**	1,092,454	**489,848**	202,943	**161,748**	216,510	**1,847,502**	1,511,907

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

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segment revenue	**3,998,629**	3,057,543
Elimination of inter-segment revenue	**(12)**	(77)
Consolidated turnover	**3,998,617**	3,057,466

12 SEGMENT REPORTING *(Continued)*

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

	2010 RMB'000	2009 RMB'000
Profit		
Reportable segment profit	**460,238**	326,114
Elimination of inter-segment (profit)/loss	**(2,270)**	219
Reportable segment profit derived from Group's external customers	**457,968**	326,333
Finance costs	**(11,697)**	(40,242)
Unallocated operating income and expenses	**(80,270)**	(51,446)
Consolidated profit before taxation	**366,001**	234,645

	2010 RMB'000	2009 RMB'000
Assets		
Reportable segment assets	**4,785,471**	4,270,807
Elimination of inter-segment receivables	**(7,234)**	(12,458)
	4,778,237	4,258,349
Deferred tax assets	**28,926**	32,848
Unallocated assets	**41,313**	5,324
Consolidated total assets	**4,848,476**	4,296,521

	2010 RMB'000	2009 RMB'000
Liabilities		
Reportable segment liabilities	**1,847,502**	1,511,907
Elimination of inter-segment payables	**(7,234)**	(12,458)
	1,840,268	1,499,449
Income tax liabilities	**22,585**	37,488
Deferred tax liabilities	**98,471**	99,278
Unallocated liabilities	**72,509**	84,814
Consolidated total liabilities	**2,033,833**	1,721,029

12 SEGMENT REPORTING *(Continued)*

(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 assets, 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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (place of domicile)	**2,430,364**	1,763,493	**1,099,318**	1,065,145
United States	**432,732**	88,553	**–**	–
Britain	**183,914**	17,145	**–**	–
France	**82,178**	40,390	**–**	–
Thailand	**58,979**	240,425	**–**	–
Japan	**40,925**	159,002	**–**	–
Other European countries	**363,409**	470,141	**229,472**	286,440
Other Asian countries	**249,975**	151,244	**–**	–
Other countries	**156,141**	127,073	**–**	–
	1,568,253	1,293,973	**229,472**	286,440
	3,998,617	3,057,466	**1,328,790**	1,351,585

For the year ended 31 December 2010, there was no single external customer that accounted for 10% or more of the Group's total turnover (2009: Nil).

13 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 2009	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	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
Balance at 1 January 2010	645,656	1,653	638,395	43,466	102,109	1,431,279
Reclassification	–	–	(8,713)	912	7,801	–
Additions	174	85	26,804	2,250	5,487	34,800
Disposals	(1,318)	–	(1,303)	(2,940)	(334)	(5,895)
Transfers from construction in progress	91,310	–	74,468	3,376	2,683	171,837
Exchange adjustment	(33,609)	–	(32,657)	(1,903)	(4,519)	(72,688)
Balance at 31 December 2010	**702,213**	**1,738**	**696,994**	**45,161**	**113,227**	**1,559,333**
Accumulated depreciation:						
Balance at 1 January 2009	(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)
Balance at 1 January 2010	(140,300)	(293)	(311,016)	(28,223)	(66,515)	(546,347)
Reclassification	–	–	2,600	(367)	(2,233)	–
Charge for the year	(24,991)	(241)	(50,958)	(6,538)	(11,367)	(94,095)
Written back on disposal	–	–	903	2,391	310	3,604
Exchange adjustment	10,233	–	23,315	1,582	4,066	39,196
Balance at 31 December 2010	**(155,058)**	**(534)**	**(335,156)**	**(31,155)**	**(75,739)**	**(597,642)**
Net book value:						
At 31 December 2010	**547,155**	**1,204**	**361,838**	**14,006**	**37,488**	**961,691**
At 31 December 2009	505,356	1,360	327,379	15,243	35,594	884,932

As at 31 December 2010, the Group was in the process of registering the title of buildings with net book value of RMB129,250,000 (2009: RMB68,146,000).

As at 31 December 2010, buildings with net book value of RMB4,085,000 (2009: RMB5,751,000) were pledged for bank overdrafts of RMB11,976,000 (2009: RMB6,145,000).

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The Company

	Office equipment 2010 RMB'000	Office equipment 2009 RMB'000
Cost:		
Balance at 1 January	**714**	–
Additions	**414**	714
At 31 December	**1,128**	714
Accumulated depreciation:		
At 1 January	**(44)**	–
Charge for the year	**(175)**	(44)
At 31 December	**(219)**	(44)
Net book value:		
At 31 December	**909**	670

14 CONSTRUCTION IN PROGRESS

	The Group 2010 RMB'000	The Group 2009 RMB'000
At 1 January	**135,411**	78,875
Additions	**103,080**	141,199
Acquisition through business combination	**–**	96
Transfers to property, plant and equipment	**(171,837)**	(84,768)
Exchange adjustment	**(1,215)**	9
At 31 December	**65,439**	135,411

15 LEASE PREPAYMENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 January	**215,019**	118,830
Additions	**93**	96,213
Disposals	**(777)**	–
Exchange adjustment	**(4,196)**	(24)
At 31 December	**210,139**	215,019
Accumulated amortisation:		
At 1 January	**(11,992)**	(8,281)
Charge for the year	**(4,272)**	(3,711)
Written back on disposal	**76**	–
Exchange adjustment	**168**	–
At 31 December	**(16,020)**	(11,992)
Net book value:		
At 31 December	**194,119**	203,027

Lease prepayments represent payments for land use rights paid to the PRC authorities. The Group's land use rights have remaining terms ranging from 37 to 49 years as at 31 December 2010 (2009: 38-49 years).

As at 31 December 2010, the Group was in the process of registering the title of land use rights with net book value of RMB Nil (2009: RMB5,173,000).

16 INTANGIBLE ASSETS

	The Group	
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 January	**82,554**	78,937
Additions	**1,090**	2,224
Disposals	**(5,629)**	–
Acquisition through business combination	**–**	583
Exchange adjustment	**(5,974)**	810
At 31 December	**72,041**	82,554
Accumulated amortisation:		
At 1 January	**(26,697)**	(17,836)
Charge for the year	**(8,734)**	(8,591)
Written back on disposal	**3,800**	–
Exchange adjustment	**1,664**	(270)
At 31 December	**(29,967)**	(26,697)
Net book value:		
At 31 December	**42,074**	55,857

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.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	4,468,583	4,641,486

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
CIMC Enric Hong Kong Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	100%	–	Investment holding
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of HKD50,000,000	–	100%	Provision of integrated business solutions for gas equipment
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment
CIMC Enric (Jingmen) Energy Equipment Company Limited	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

17 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
Jingmen Hongtu Machinery Manufacturing Company Limited	PRC 30 October 2007	Registered and paid-in capital of RMB3,000,000	–	60%	Manufacture and sale of specialised transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited	PRC 2 November 2009	Registered and paid-in capital of RMB500,000	–	90%	Investment holding
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
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 Co., Ltd. ("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
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd.	PRC 28 April 2009	Registered and paid-in capital of RMB30,000,000	-	100%	Manufacture and sale of pressure vessel
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 Ido B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks

17 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
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
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacturing of tanks
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
Enric Gas Equipment Yangzhou Company Limited	PRC 13 October 2010	Registered and paid-in capital of RMB12,000,000	–	100%	Repair and maintenance of pressure vessels

18 GOODWILL

	The Group 2010 RMB'000	2009 RMB'000
Cost		
At 1 January	**43,046**	15,821
Addition	**–**	27,221
Exchange adjustment	**(263)**	4
At 31 December	**42,783**	43,046

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:

	2010 RMB'000	2009 RMB'000
Cost		
CIMC Sanctum	**8,297**	8,297
Nantong CIMC	**7,265**	7,528
Hongtu	**27,221**	27,221
At 31 December	**42,783**	43,046

18 GOODWILL *(Continued)*

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 6.4% (2009: 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 2010 and 2009. The discount rates used are pre-tax and reflect specific risks relating to the relevant subsidiaries.

19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2010	2009
	RMB'000	RMB'000
Held-to-maturity debt securities	**1,685**	5,630
Available-for-sale equity securities		
– Unlisted	**59**	59
	1,744	5,689

20 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2010, the Group held forward foreign currency contracts to manage the currency risk on expected future sales to customers for which the Group has firm commitments. At 31 December 2010, the fair value of these forward foreign currency contracts recognised in current assets and current liabilities was RMB724,000 (2009: RMB39,000) and RMB Nil (2009: RMB261,000) respectively.

21 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	**581,197**	482,359
Consignment materials	**70,005**	8,030
Work in progress	**325,995**	268,487
Finished goods	**347,544**	147,123
	1,324,741	905,999

21 INVENTORIES *(Continued)*

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**3,249,521**	2,511,695
Write-down of inventories	**22,408**	32,013
Reversal of write-down of inventories	**(34,421)**	(48,648)
	3,237,508	2,495,060

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

22 TRADE AND BILLS RECEIVABLE

	The Group	
	2010	2009
	RMB'000	RMB'000
Trade debtors and bills receivable	**943,430**	988,136
Less: allowance for doubtful debts (note 22(b))	**(64,800)**	(86,175)
	878,630	901,961

(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	
	2010	2009
	RMB'000	RMB'000
Current	**587,507**	608,105
Less than 1 month past due	**92,557**	88,144
1 to 3 months past due	**64,205**	70,287
More than 3 months but less than 12 months past due	**128,479**	88,229
More than 12 months past due	**5,882**	47,196
Amounts past due	**291,123**	293,856
	878,630	901,961

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 39(a).

22 TRADE AND BILLS RECEIVABLE *(Continued)*

(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(k)(ii)).

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

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**86,175**	67,493
Impairment loss recognised	**8,534**	24,168
Written back	**(19,380)**	(3,672)
Uncollectible amounts written off	**(6,099)**	(2,378)
Exchange adjustment	**(4,430)**	564
At 31 December	**64,800**	86,175

At 31 December 2010, the Group's trade and bills receivable of RMB172,851,000 (2009: RMB190,642,000) 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 RMB64,800,000 (2009: RMB86,175,000) were recognised. The Group does not hold any collateral over these balances.

(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	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**569,744**	606,305
Less than 1 month past due	**58,780**	54,948
1 to 3 months past due	**42,673**	55,188
More than 3 months but less than 12 months past due	**98,147**	64,758
More than 12 months past due	**1,235**	16,295
	200,835	191,189
	770,579	797,494

22 TRADE AND BILLS RECEIVABLE *(Continued)*

(c) Trade and bills receivable that are not impaired *(Continued)*

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.

23 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
Advances to suppliers	**72,551**	63,574
Deposits for bidding, construction work and equipment purchase	**3,655**	8,355
Staff advances	**7,849**	7,471
Deductible input VAT	**23,762**	–
VAT refundable for export sales	**7,623**	–
Receivables for disposal of property, plant and equipment	**600**	600
Prepayments for services	**3,929**	9,517
Gross amount due from customers for contract work	**163,156**	136,633
Others	**26,881**	16,122
	310,006	242,272

24 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 2009 and 2010 are RMB1,170,604,000 and RMB162,642,000 respectively.

No gross amount due from/to customers for contract work at 31 December 2009 and 2010 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 2009 and 2010 are RMB5,092,000 and RMB76,140,000 respectively. The amount of retentions is expected to be recovered within one year.

25 CASH AT BANK AND IN HAND

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents				
– Cash in hand and demand deposits	**763,899**	790,040	**385**	1,200
– Restricted bank deposits for letters of credit and bills payable within three months of maturity	**59,133**	4,660	**–**	–
– Bank overdrafts	**(17,346)**	(11,003)	**–**	–
	805,686	783,697	**385**	1,200
Restricted bank deposits for letters of credit, bills payable and bank loans with maturity of more than three months	**118,077**	77,940	**–**	–
Add back bank overdrafts	**17,346**	11,003	**–**	–
	941,109	872,640	**385**	1,200

26 BANK LOANS AND OVERDRAFTS

At 31 December 2010, the bank loans and overdrafts were repayable as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year or on demand	**99,699**	153,587
After 1 year but within 2 years	**21,980**	17,584
After 2 years but within 5 years	**–**	21,980
	21,980	39,564
	121,679	193,151

26 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31 December 2010, the bank loans and overdrafts were secured as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Unsecured bank overdrafts	**5,370**	4,858
Secured bank overdrafts	**11,976**	6,145
Bank loans – guaranteed	**84,564**	182,148
Bank loans – secured	**19,769**	–
	121,679	193,151

At 31 December 2010, bank overdrafts of RMB11,976,000 (2009: RMB6,145,000) were secured by a pledge on buildings which had a carrying value of RMB4,085,000 (2009: RMB5,751,000). At 31 December 2010, secured bank loans of RMB19,769,000 (2009: Nil) were secured by a pledge of restricted bank deposits which had a carrying amount of RMB19,769,000 (2009: Nil). Save as disclosed above, all the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 1.97% to 5.04% for the year ended 31 December 2010 (2009: 1.90% to 5.30%).

27 TRADE AND BILLS PAYABLE

	The Group	
	2010	2009
	RMB'000	RMB'000
Trade creditors	**737,620**	194,026
Bills payable	**134,420**	457,857
	872,040	651,883

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Due within 3 months or on demand	**866,926**	626,599
Due after 3 months but within 12 months	**5,114**	25,136
Due after 12 months	**–**	148
	872,040	651,883

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

28 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group	
	2010	2009
	RMB'000	RMB'000
Advances from customers	**434,349**	274,285
Advances from local government for construction of production plant and facilities	**–**	4,691
Payables for construction work	**20,429**	19,409
Taxes and social securities	**549**	12,978
Other taxes payable	**21,234**	53,195
Accrued expenses	**38,741**	36,014
Employees' bonus and welfare	**96,291**	70,246
Other surcharges payable	**4,864**	1,965
Directors' remuneration	**260**	120
Others	**95,697**	63,224
	712,414	536,127

29 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 2010.

(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		

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

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

	2010 Weighted average exercise price	2010 Number of options	2009 Weighted average exercise price	2009 Number of options
Outstanding at the beginning of the year	**HKD4.00**	**43,750,000**	–	–
Forfeited during the year	**HKD4.00**	**(2,375,000)**	–	–
Granted during the year	**–**	**–**	HKD4.00	43,750,000
Outstanding at the end of the year	**HKD4.00**	**41,375,000**	HKD4.00	43,750,000
Exercisable at the end of the year		**20,825,000**		–

The options outstanding at 31 December 2010 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 8.83 years commencing on the grant date. 20,825,000 options became exercisable on 11 November 2010 and 20,550,000 options will become exercisable on 11 November 2011.

(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 for 43,750,000 share options granted on 11 November 2009	
Fair value at measurement date	HKD1.64
Share price	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.

30 PROVISIONS

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
Balance at 1 January 2009	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
Balance at 1 January 2010	**39,390**	**3,525**	**42,915**
Additional provision made/(reversal)	**17,032**	**(408)**	**16,624**
Provisions utilised	**(10,328)**	**(2,152)**	**(12,480)**
Exchange adjustment	**(1,548)**	**(305)**	**(1,853)**
Balance at 31 December 2010	**44,546**	**660**	**45,206**

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
Represented by:			
Current portion at 31 December 2009	20,587	3,525	24,112
Non-current portion at 31 December 2009	18,803	–	18,803
Balance at 31 December 2009	39,390	3,525	42,915
Current portion at 31 December 2010	**28,580**	**660**	**29,240**
Non-current portion at 31 December 2010	**15,966**	**–**	**15,966**
Balance at 31 December 2010	**44,546**	**660**	**45,206**

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 within the warranty period under these agreements in respect of sales made 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 previously earned from the Group and the basic salary earned from the new employment.

31 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet:

	The Group	
	2010	2009
	RMB'000	RMB'000
Current tax payable at the beginning of the year	**37,488**	43,939
Provision for income tax on profit for the year	**74,331**	36,626
Current tax paid	**(88,727)**	(43,548)
Exchange adjustment	**(507)**	471
Current tax payable at the end of the year	**22,585**	37,488

(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	Revaluation of tangible and intangible assets	Provision for product warranties	Depreciation allowances in excess of the related depreciation	Amortisation of intangible assets	Distributable profits of PRC subsidiaries	Accrued expenses	Movements of fair value of assets/(liabilities) held for trading	Gains on disposal of land and buildings	Income recognised on construction contracts/inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	17,654	(67,861)	7,013	(3,654)	(380)	(22,120)	8,753	3,603	(2,511)	(9,900)	(69,403)
Credited/(charged) to the income statement	(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)
At 1 January 2010	**17,464**	**(62,853)**	**8,142**	**(3,597)**	**(313)**	**(27,240)**	**7,329**	**–**	**1,698**	**(7,060)**	**(66,430)**
Credited/(charged) to the income statement	**(8,325)**	**5,485**	**(1,604)**	**(167)**	**–**	**(9,240)**	**4,892**	**(111)**	**212**	**(400)**	**(9,258)**
Exchange adjustment	**(194)**	**6,293**	**(140)**	**–**	**–**	**–**	**(370)**	**3**	**(178)**	**729**	**6,143**
At 31 December 2010	**8,945**	**(51,075)**	**6,398**	**(3,764)**	**(313)**	**(36,480)**	**11,851**	**(108)**	**1,732**	**(6,731)**	**(69,545)**

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

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Net deferred tax assets recognised on the balance sheet	**28,926**	32,848
Net deferred tax liabilities recognised on the balance sheet	**(98,471)**	(99,278)
	(69,545)	(66,430)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB18,595,000 (2009: RMB11,643,000) 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 shall expire in five years from year of occurrence under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2010, temporary differences relating to undistributed profits of subsidiaries amounted to RMB122,837,000 (2009: RMB223,675,000). Deferred tax liabilities of RMB15,888,000 (2009: RMB15,361,000) 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.

32 DEFERRED INCOME

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**110,036**	–
Received during the year	**2,532**	110,036
Recognised in the income statement	**(9,911)**	–
Exchange effect	**(323)**	–
At 31 December	**102,334**	110,036

Deferred income represents government grants obtained for the purposes of sponsoring the costs of construction of a new plant incurred by the Group. As at 31 December 2010, the construction of the new plant was completed and the related deferred income was recognised in the income statement over the useful life of the asset to offset the depreciation charge of the relevant assets.

33 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.

34 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	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		34(c)(i)	34(c)(ii)	34(c)(iii)	34(c)(v)		
At 1 January 2009	4,769	287,517	119,825	–	–	(7,794)	404,317
Total comprehensive Income for the year	–	–	–	–	(66,307)	(17,374)	(83,681)
Equity-settled share-based transactions	–	–	–	6,620	–	–	6,620
Issuance of shares	12,466	–	4,533,037	–	–	–	4,545,503
At 31 December 2009 and 1 January 2010	**17,235**	**287,517**	**4,652,862**	**6,620**	**(66,307)**	**(25,168)**	**4,872,759**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(181,815)**	**(65,458)**	**(247,273)**
Equity-settled share-based transactions	**–**	**–**	**–**	**39,897**	**–**	**–**	**39,897**
At 31 December 2010	**17,235**	**287,517**	**4,652,862**	**46,517**	**(248,122)**	**(90,626)**	**4,665,383**

34 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2010 Number of shares	2010 RMB'000	2009 Number of shares	2009 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**		2,000,000,000	
Issued and fully paid:				
Ordinary shares				
At 1 January	**857,452,201**	**8,282**	459,000,000	4,769
Issued during the year	**–**	**–**	398,452,201	3,513
At 31 December	**857,452,201**	**8,282**	857,452,201	8,282
Non-redeemable convertible preference shares				
At 1 January	**1,015,641,321**	**8,953**	–	–
Issued during the year	**–**	**–**	1,015,641,321	8,953
At 31 December	**1,015,641,321**	**8,953**	1,015,641,321	8,953
At 31 December	**1,873,093,522**	**17,235**	1,873,093,522	17,235

(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.

34 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of the 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. 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.

(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 the 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(s)(ii).

34 CAPITAL AND RESERVES *(Continued)*

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

(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 of the respective subsidiaries. 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) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements denominated in foreign currency to Renminbi. The reserve is dealt with in accordance with the accounting policies set out in notes 1(w).

(vi) 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 2010, the Company had RMB4,849,753,000 available for distribution to equity shareholders of the Company (2009: RMB4,915,211,000).

(vii) 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 2010, 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.

34 CAPITAL AND RESERVES *(Continued)*

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

(vii) Capital management (Continued)

The net debt to adjusted capital ratio is as follows:

	Note	2010 RMB'000	2009 RMB'000
Current liabilities			
Bank loans		**99,699**	153,587
Trade and bills payable	27	**872,040**	651,883
Other payables and accrued expenses	28	**712,414**	536,127
Amounts due to related parties	37(b)	**56,943**	47,342
		1,741,096	1,388,939
Non-current liabilities			
Bank loans		**21,980**	39,564
Total debt		**1,763,076**	1,428,503
Less: Cash and cash equivalents	25	**(805,686)**	(783,697)
Net debt		**957,390**	644,806
Total equity and adjusted capital		**2,799,805**	2,566,165
Net debt to adjusted capital ratio		**34%**	25%

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

35 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.

36 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Contracted for		
– Production facilities	**30,679**	66,589
– Lease prepayments	**92,946**	–
	123,625	66,589
Authorised but not contracted for		
– Production facilities	**–**	6,393
	123,625	72,982

At 31 December 2009 and 2010, the Company has no capital commitment.

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**2,971**	2,261	**587**	786
After 1 year but within 5 years	**5,208**	19,427	**–**	687
After 5 years	**13,577**	–	**–**	–
	21,756	21,688	**587**	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.

37 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with CIMC and its subsidiaries

		The Group Year ended 31 December	
		2010	2009
Nature of transactions		**RMB'000**	RMB'000
Sales	(i)	**148,226**	153,039
Purchases	(ii)	**114,806**	74,686
Management charges	(iii)	**3,290**	4,389
Comprehensive charges	(iv)	**3,275**	3,737
Processing charges	(v)	**4,481**	–

37 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with CIMC and its subsidiaries *(Continued)*

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

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

(iii) Management charges mainly represent management services provided to the Group by related parties.

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

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

(vi) Key management personnel remuneration

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

	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	**11,609**	7,397
Equity compensation benefits	**7,865**	1,658
	19,474	9,055

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Amounts due from/(to) related parties

	The Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables for products sold	**32,471**	12,610
Trade payables for receipts in advance for sales and payables for purchases of raw materials	**(56,943)**	(47,342)

38 AMOUNTS DUE FROM SUBSIDIARIES AND AMOUNTS DUE TO A SUBSIDIARY

At 31 December 2009 and 2010, amounts due from subsidiaries represent cash advances to Enric Investment Group Limited and CIMC Enric Hong Kong Limited. At 31 December 2010, amounts due to a subsidiary represent cash advances from Sound Winner Holdings Limited. These amounts are unsecured, interest-free and repayable on demand.

39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise 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 1.87% (2009: 3.68%) and 6.45% (2009: 13.70%) 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 22.

(b) Liquidity risk

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

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

The Group	2010 Contractual undiscounted cash flow				2009 Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**103,051**	**22,413**	**125,464**	**121,679**	160,934	40,320	201,254	193,151
Bills payable, creditors and accrued expenses	**1,584,454**	**–**	**1,584,454**	**1,584,454**	1,188,010	–	1,188,010	1,188,010
Amounts due to related parties	**56,943**	**–**	**56,943**	**56,943**	47,342	–	47,342	47,342
	1,744,448	**22,413**	**1,766,861**	**1,763,076**	1,396,286	40,320	1,436,606	1,428,503

39 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	**2010**		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**1.91%**	**765,743**	0.58%	789,004
Bank loans-guaranteed	**3.52%**	**(84,564)**	1.91%	(57,148)
Bank loans-secured	**0.46%**	**(19,769)**	–	–
Bank over drafts	**4.14%**	**(17,346)**	4.90%	(11,003)

The Company	**2010**		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**2.08%**	**385**	1.61%	1,200

(ii) Sensitivity analysis

At 31 December 2010, 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 RMB2,415,000 (2009: RMB2,703,000). 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 2009.

(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.

39 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 2010					
	RMB	USD	HK Dollars	Euro	GBP	DKK
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivable	–	922	–	–	–	174
Deposits, other receivables and prepayments	1,082	–	285	–	–	–
Cash and cash equivalents	243	56,166	15,605	684	2	–
Bank loans	–	–	(21,193)	–	–	–
Trade and bills payable	–	(10)	–	–	–	–
Other payables and accrued expenses	(384)	(22,093)	(609)	–	–	–
Overall net exposure	941	34,985	(5,912)	684	2	174

The Company	Exposure to foreign currencies	
	2010	2009
	RMB	RMB
	RMB'000	RMB'000
Deposit, other receivables and prepayments	**1,082**	977
Cash and cash equivalents	**243**	1,054
Other payables and accrued expenses	**(384)**	(269)
Overall net exposure	**941**	1,762

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

(d) Foreign currency risk *(Continued)*

(iii) Exposure to currency risk (Continued)

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)

(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	**2010**		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
RMB	**4%**	**27**	1%	13
	(4%)	**(27)**	(1%)	(13)
United States Dollars	**3%**	**916**	1%	969
	(3%)	**(916)**	(1%)	(969)
Hong Kong Dollars	**4%**	**(165)**	1%	(226)
	(4%)	**165**	(1%)	226
Euro	**10%**	**52**	1%	(33)
	(10%)	**(52)**	(1%)	33
Pounds Sterling	**7%**	**–**	11%	(419)
	(7%)	**–**	(11%)	419
Danish Krone	**10%**	**13**	2%	(165)
	(10%)	**(13)**	(2%)	165

39 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 end of the reporting 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 2009.

(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 2010.

(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.

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2010, 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 2010, 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.

41 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 29 and 39 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(k)) 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 provisions

As explained in note 30, the Group makes provisions 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 the income statement in future years.

(iv) Construction contracts

As explained in policy notes 1(m) and (v)(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 24 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.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standards which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial Instruments*	1 January 2013
Improvement to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS, *Income taxes*	1 January 2012

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
Tsui Kei Pang
Zhang Xueqian

Company Secretary

Cheong Siu Fai *CPA*

Audit Committee

Wong Chun Ho *CFA, CPA*
Tsui Kei Pang
Zhang Xueqian

Remuneration Committee

Jin Jianlong
Tsui Kei Pang
Zhang Xueqian

Nomination Committee

Jin Yongsheng
Wong Chun Ho
Zhang Xueqian

Authorised Representatives

Zhao Qingsheng
Cheong Siu Fai

Registered Office

Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

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CIMC R&D Center
No. 2 Gangwan Avenue
Shekou Industrial Zone
Shenzhen, Guangdong
The PRC

Principal Place of Business in Hong Kong

Unit 908, 9th Floor
Fairmont House
No. 8 Cotton Tree Drive
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
China Construction Bank
ING Bank

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
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:

"AGM"	the 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., the shares of which are listed on the Shenzhen Stock Exchange
"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"	the 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.

Glossary

"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
"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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