CHINA AUTOMATION GROUP LIMITED
中 國 自 動 化 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 569)

HIGHLIGHTS

- Revenue increased by 29.9% to approximately RMB1,125.4 million for the year ended 31 December 2009 as compared with previous year
- Net profit attributable to equity holders increased by 42.2% to approximately RMB212.1 million as compared with that of the previous year
- Earnings per share of the Group increased by approximately 32.2% to RMB21.91 cents (2008: RMB16.57 cents) for the year ended 31 December 2009
- The board of directors of the Company proposed a dividend of 5.0 HK cents per ordinary share (2008: 4.0 HK cents)

ANNUAL RESULTS

The board of directors of the Company (the "Board") is pleased to announce the audited Results of China Automation Group Limited and its subsidiaries (collectively, the "Group") for the year ended 31st December 2009 (the "period under review").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009**	**2008**
		RMB'000	*RMB'000*
Revenue	3	1,125,435	866,602
Cost of sales		(636,556)	(536,723)
Gross profit		488,879	329,879
Other income	5	41,082	28,314
Selling and distribution expenses		(88,248)	(69,423)
Administrative expenses		(133,790)	(89,112)
Research and development expenses		(28,832)	(5,321)
Finance costs	6	(14,576)	(8,377)
Share of results of an associate		—	4,079
Profit before tax		264,515	190,039
Income tax expense	7	(20,749)	(21,500)
Profit for the year	8	243,766	168,539
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		82	(535)
Total comprehensive income for the year		243,848	168,004
Profit for the year attributable to:			
Owners of the Company		212,088	149,177
Minority interests		31,678	19,362
		243,766	168,539
Total comprehensive income attributable to:			
Owners of the Company		212,170	148,642
Minority interests		31,678	19,362
		243,848	168,004
Earnings per share	10		
Basic (RMB cents)		21.91	16.57
Diluted (RMB cents)		21.66	16.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	**2009**	**2008**
		RMB'000	*RMB'000*
Non-current Assets			
Property, plant and equipment	11	93,591	53,873
Prepaid lease payments		24,938	25,522
Intangible assets	12	276,029	275,388
Goodwill	13	76,175	72,778
Deferred tax assets	15	16,151	13,070
Available-for-sale financial assets	16	3,373	—
		490,257	440,631
Current Assets			
Inventories		318,598	200,363
Trade and bills receivables	17	590,455	404,384
Amounts due from customers for contract work	18	3,152	—
Other receivables and prepayments		53,295	48,212
Amounts due from shareholders of subsidiaries		—	2,550
Bank deposits under conditions		86,538	83,229
Bank balances and cash		536,598	308,918
		1,588,636	1,047,656
Current Liabilities			
Trade and bills payables	19	204,655	84,413
Other payables, deposits received and accruals		129,105	107,801
Dividend payable		2	—
Tax liabilities		9,668	10,060
Borrowings	20	194,875	194,440
		538,305	396,714
Net Current Assets		1,050,331	650,942
Total Assets less Current Liabilities		1,540,588	1,091,573

	Notes	2009	2008
		RMB'000	*RMB'000*
Capital and Reserves			
Share capital	22	9,376	8,516
Share premium and reserves	23	1,275,124	895,453
Equity attributable to owners of the Company		1,284,500	903,969
Minority interests		117,759	85,887
Total Equity		1,402,259	989,856
Non-current liabilities			
Deferred tax liabilities	15	38,789	39,332
Borrowings		39,019	—
Deferred income	21	60,521	62,385
		138,329	101,717
Total equity and liabilities		1,540,588	1,091,573

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000* (Note 23 a)	Statutory surplus reserves *RMB'000* (Note 23 b)	Contribution from owners *RMB'000*	Translation reserve *RMB'000*	Share option reserve *RMB'000* (Note 23 c)	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008	7,772	356,783	(18,335)	11,152	619	(5,612)	3,409	206,291	562,079	1,221	563,300
Profit for the year	–	–	–	–	–	–	–	149,177	149,177	19,362	168,539
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(535)	–	–	(535)	–	(535)
Total comprehensive income or expense for the year	–	–	–	–	–	(535)	–	149,177	148,642	19,362	168,004
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	123,553	123,553
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(58,249)	(58,249)
Appropriations to reserves	–	–	–	13,070	–	–	–	(13,070)	–	–	–
Dividends recognised as distribution	–	–	–	–	–	–	–	(24,865)	(24,865)	–	(24,865)
Shares issued	777	206,515	–	–	–	–	–	–	207,292	–	207,292
Transaction costs attributable to issue of shares	–	(5,459)	–	–	–	–	–	–	(5,459)	–	(5,459)
Recognition of share-based payments	–	–	–	–	–	–	20,339	–	20,339	–	20,339
Share repurchased and cancelled	(33)	(4,026)	–	–	–	–	–	–	(4,059)	–	(4,059)
At 31 December 2008	8,516	553,813	(18,335)	24,222	619	(6,147)	23,748	317,533	903,969	85,887	989,856
Profit for the year	–	–	–	–	–	–	–	212,088	212,088	31,678	243,766
Exchange difference arising on translation of foreign operations	–	–	–	–	–	82	–	–	82	–	82
Total comprehensive income or expense for the year	–	–	–	–	–	82	–	212,088	212,170	31,678	243,848
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(1,703)	(1,703)
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	1,897	1,897
Appropriations to reserves	–	–	–	14,314	–	–	–	(14,314)	–	–	–
Dividends	–	–	–	–	–	–	–	(35,090)	(35,090)	–	(35,090)
Shares issued	759	173,602	–	–	–	–	–	–	174,361	–	174,361
Transaction costs attributable to issue of shares	–	(3,681)	–	–	–	–	–	–	(3,681)	–	(3,681)
Issue of shares on exercise of share options	102	32,728	–	–	–	–	(9,728)	–	23,102	–	23,102
Transaction costs attributable to issue of shares on exercise of share options	–	(223)	–	–	–	–	–	–	(223)	–	(223)
Recognition of share-based payments (Note 25)	–	–	–	–	–	–	10,006	–	10,006	–	10,006
Share repurchased and cancelled	(1)	(113)	–	–	–	–	–	–	(114)	–	(114)
At 31 December 2009	9,376	756,126	(18,335)	38,536	619	(6,065)	24,026	480,217	1,284,500	117,759	1,402,259

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL

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

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

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

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

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

IAS 1 (Revised 2007) Presentation of Financial Statements

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

IAS 23 (Revised 2007) Borrowing Costs

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

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

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

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

3. REVENUE

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

Segment revenues and results

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

2009

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

2008

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

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

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

Segment assets and liabilities

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

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

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

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

Other segment information

2009

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

2008

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

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

Geographical information

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

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

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

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

Revenue by products and services

The Group's revenue analysed by goods or services are set out in note 3.

Information about major customers

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

	2009	**2008**
	RMB'000	*RMB'000*
Railway - Customer A	317,093	85,359
Petrochemical - Customer B	157,406	85,086
Petrochemical - Customer C	37,962	90,281

5. OTHER INCOME

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

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

6. FINANCE COSTS

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

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

7. INCOME TAX EXPENSE

	2009 *RMB'000*	2008 *RMB'000*
Current tax charge comprises:		
PRC enterprise income tax	23,453	20,141
Hong Kong Profits Tax	463	2,898
Other jurisdictions	457	—
	24,373	23,039
Deferred tax (note 15)		
Current year	(3,598)	(1,526)
Attributable to a change in tax rate	(26)	(13)
	20,749	21,500

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

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

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

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

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

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

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

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

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

8. PROFIT FOR THE YEAR

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

9. DIVIDENDS

Dividends recognised as distribution during the year:

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

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

10. EARNINGS PER SHARE

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

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

12. INTANGIBLE ASSETS

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

Notes:

(a) Development costs are internally generated.

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

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

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

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

As a result, the license and trademarks are considered by the management of the Group as having an indefinite useful life. They will be tested for impairment annually and whenever there are indications that they may be impaired. Particulars of the impairment testing are disclosed in note 14.

13. GOODWILL

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

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

For the purposes of impairment testing, goodwill, license and trademarks with indefinite useful lives set out in notes 12 and 13 have been allocated to three individual cash generating units (CGUs), including two subsidiaries engaged in railway segment and one subsidiary engaged in petrochemical sales segment. The carrying amounts of goodwill, license and trademarks as at 31 December 2009 allocated to these units are as follows:

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

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

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

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

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

15. DEFERRED TAX ASSETS/LIABILITIES

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

	Allowance for doubtful debts	Deferred income	Tax losses	Fair value adjustment of intangible assets (note a)	Distributable profits of subsidiary (note7)	Other temporary differences (note b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	188	—	—	—	—	120	308
Acquisition of a subsidiary	1,310	9,448		(39,167)	—	300	(28,109)
(Charge) credit to profit or loss	(184)	(90)	637	835	(1,000)	1,328	1,526
Effect of change in tax rate	8	—	—	—	—	5	13
At 31 December 2008	1,322	9,358	637	(38,332)	(1,000)	1,753	(26,262)
(Charge) credit to profit or loss	1,212	(280)	(637)	543	—	2,760	3,598
Effect of change in tax rate	—	—	—	—	—	26	26
At 31 December 2009	2,534	9,078	-	(37,789)	(1,000)	4,539	(22,638)

Notes:

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

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

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

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

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

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

17. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

As at 31 December 2009, trade receivables with a carrying amount of RMB67,580,000 (2008: RMB26,770,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

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

Movement in the allowance for bad and doubtful debts

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

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

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

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

19. TRADE AND BILLS PAYABLES

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

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

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

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

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

20. BORROWINGS

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

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

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

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

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

At 31 December 2009, bank borrowings of approximately RMB35,552,000 (2008: RMB51,439,000) was secured by pledged bank deposits of RMB22,059,000 (2008: RMB22,076,000) , floating charge on trade receivables and inventories of the Company's subsidiary, i.e., Tri-Control Automation Company Limited. Also, bank borrowings of RMB70,000,000 (2008: RMB50,000,000) was guaranteed by an independent third party at 31 December 2009. During the year, the Group paid approximately RMB1,759,000 (2008: RMB1,096,000) to the independent third party for the corporate guarantees provided.

The remaining amounting to RMB103,198,000 was secured by prepaid lease payments having a carrying value of approximately RMB16,617,000, pledged bank deposits of 23,475,000 and bills receivables and other receivables of 14,934,000.

21. DEFERRED INCOME

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

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

22. SHARE CAPITAL

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

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

Notes:

(a) Pursuant to a placing and subscription agreement dated 5 May 2009, 126,000,000 shares of HK$0.01 each in the share capital then held by Consen Group Holding Inc. was placed on 8 May 2009 at placing price of HK$2.30 per share and subscription of new shares of 86,000,000 by Consen Group Holding Inc. (the "subscription") at the subscription price of HK$2.30 per share, ranking pari passu in all respects among themselves and with the existing issued share of HK$0.01 each in the share capital of the Company. The placements were completed on 19 May 2009.

Pursuant to a placing and subscription agreement dated 21 February 2008, 83,000,000 shares of HK$0.01 each in the share capital then held by Consen Group Holding Inc. was placed on 25 February 2008 at placing price of HK$2.84 per share and subscription of new shares of 83,000,000 by Consen Group Holding Inc. (the "subscription") at the subscription price of HK$2.84 per share, ranking pari passu in all respects among themselves and with the existing issued share of HK$0.01 each in the share capital of the Company was completed on 3 March 2008.

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

Details of the shares repurchased are as follows:

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

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

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

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

23. RESERVES

(a) Other reserve

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

(b) Statutory surplus reserves

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

(c) Share option reserve

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

24. OPERATING LEASES

The Group as lessee

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

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

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

25. CAPITAL COMMITMENTS

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

26. EVENTS AFTER THE REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND BUSINESS REVIEW

The major achievements of the Group in the year 2009 were that the Group successfully weathered the financial crisis and focused on its long-term developing major businesses, the railway signaling business and the petrochemical automation business. Leveraging the Group's market leading position and exquisite core techniques while actively exploring new market, the Group achieved remarkable results solely attributable to organic growth. Meanwhile, riding on the Group's two core businesses, the Group will actively look into techniques, products as well as companies which are closely related to the Group's core businesses and expand the Group's operation scale through joint cooperation and mergers and acquisitions, so as to establish a strong fundamental for the Group's development in 2010 and years onwards.

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

Railway Signaling Industry

(i) Research and Development

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

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

The Group highly regards research and development and stressing the absorption and assimilation of foreign advanced core technology. BJM will rely on its own edge of technology to grasp the core technology of automatic train protection ("ATP")/automatic train operation ("ATO") through project cooperation and consequently realize the independent research and development and build fully localized urban railway signaling system.

(ii) Relocation to new plant

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

(iii) Marketing

As at 31 December 2009, the Group had delivered approximately 217 systems and revamped 90 aged systems, bringing the cumulative number of systems delivered to approximately 1000. In year 2009, the Group had maintained its market share in national, passenger line and high-speed line business.

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

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

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

(iv) Formation of a joint venture with ABB (China) Limited ("ABB (China)")

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

Petrochemical Industry

(i) Research and Development

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

(ii) Marketing

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

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

As at 31 December 2009, the Group had delivered approximately 200 systems, , bringing the cumulative number of systems delivered to approximately 1600.

(iii) Formation of a joint venture with NingXia YinXing Energy Company Limited ("NingXia YinXing Energy")

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

Human Resources

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

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

FINANCIAL REVIEW

Revenue

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

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

Turnover analysis by business segment

	For the year ended 31 December				
	2009		**2008**		**Change**
	(RMB' million)		*(RMB' million)*		*(%)*
System sales		%		%	
– Petrochemical	452.6	40.2	392.0	45.2	+15.5
– Railway	424.6	37.7	286.6	33.1	+48.2
Sub-total	877.2	77.9	678.6	78.3	+29.3
Provision of engineering and maintenance services	97.9	8.7	67.7	7.8	+44.6
Distribution of equipment	150.3	13.4	120.3	13.9	+24.9
Total	1,125.4	100.0	866.6	100.0	+29.9

System sales to petrochemical industries

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

System sales to railway industries

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

Provision of engineering and maintenance services

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

Distribution of equipment

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

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

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

Gross profit

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

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

Gross profit analysis by business segment

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

Gross profit margin of system sales in relation to petrochemical industries

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

Gross profit margin of system sales in relation to railway industries

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

Gross profit margin of the provision of engineering and maintenance services

The overall gross profit margin increased by 1.7 percentage points to 72.3% (2008: 70.6%) compared with that of the corresponding period of the previous year.

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

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

Gross profit margin of distribution of equipment

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

Other Income

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

Selling and distribution expenses

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

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

Administrative expenses

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

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

Research and development expenses

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

Share of results of associates

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

Finance costs

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

Income tax expenses

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

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

Profit for the year

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

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

Earnings per share

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

Dividend

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

Liquidity, financial resources and capital structure

The Group's liquidity position remains strong.

Net cash from the Group's operating activities increased by RMB101.1 million to RMB103.5 million (2008: RMB2.4 million) for the year ended 31 December 2009. The rise was mainly attributable to (i) an increase in profit before taxation of the Group by RMB74.5 million to RMB264.5 million for the year ended 31 December 2009 (2008: RMB190 million) and (ii) an increase of RMB132.2 million in trade and bills payable, but that was offset by the increase in inventories of RMB121.3 million.

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

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

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

Gearing position

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

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

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

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

Significant investments, mergers and acquisitions

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

Contingent liabilities

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

FUTURE OUTLOOK

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

Railway signaling business

- **Organic growth**

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

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

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

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

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

- **Investments and mergers and acquisitions**

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

Petrochemical business

- **Organic growth**

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

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

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

- **Expanding overseas markets**

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

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

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

- **Investments and mergers and acquisitions**

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

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

GENERAL

PROPOSED DIVIDEND

The Directors have recommended distribution of a dividend of 5.0 HK cents per share for the year ended 31 December 2009. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on Tuesday, 18 May 2010. Upon shareholders' approval, the proposed dividend will be paid on or before 15 July 2010 to shareholders whose names shall appear on the register of members of the Company on Tuesday, 18 May 2010.

CLOSURE OF REGISTER OF MEMBERS

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

CORPORATE GOVERNANCE PRACTICES

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Tuesday 18 May 2010. A notice of the annual general meeting will be issued and disseminated to shareholders in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHNAGE OF HONG KONG LIMITED AND THE COMPANY

The annual results announcement is required to be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.com.hk and the Company's corporate website http://www.cag.com.hk.

APPRECIATION

On behalf of the Board, I would like to thank all our employees for their efforts, dedication and commitment, all of which contributed to the growth of the Group, as well as our shareholders for their continuous support and confidence in our Group.

By Order of the Board
China Automation Group Limited
Xuan Rui-guo
Chairman

Hong Kong, 22 March, 2010

As at the date of this announcement, the Board comprises Mr. XUAN Rui-guo, Mr. HUANG Zhi-yong and Mr. KUANG Jian-ping as executive Directors of the Company; and Mr. TANG Min, Mr. WANG Tai-wen and Mr. NG Wing-fai as independent non-executive Directors.