CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3899

Annual Report 2012

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

Contents

Chairman's Statement

Continuing growth was recorded in 2012 with net profit attributable to equity shareholders and turnover rose by 33.0% and 18.4% respectively.

The Board is pleased to propose a final dividend in respect of 2012 of HKD0.07 per ordinary share and HKD0.07 per non-redeemable convertible preference share.

In 2012, the Group developed rapidly and healthily and recorded an encouraging business growth. Over the past four years, we recorded sustainable growth in terms of both turnover and net profit attributable to equity shareholders. Since 2009, our storage and transportation equipment business has extended from the energy equipment sector to the chemical and liquid food equipment sectors.

Last year, in accordance with our long term development plan, we dedicated full effort and resources to optimising and integrating our business and operational structures and made use of both organic and acquisition development to reinforce the solid foundation for our long term sustainable growth.

Moreover, leveraging on our expertise and established experience in the design, manufacturing and sale of storage and transportation equipment for the energy industry, last year we enhanced our own ability to offer turnkey project services to the industry as another revenue driver. The acquisition of YPDI has enriched the Group's engineering service capability and created synergy by means of technological development and expanded market reach. Since January 2012, YPDI has contributed positive returns to the Group by offering one-stop engineering and procurement services.

Another newly acquired subsidiary, Nantong Transport has enlarged our production capacity of LNG equipment. In addition, the Group has benefited from the synergy brought by the acquisition of Nantong Transport in terms of manufacturing technologies and economies of scale.

In August 2012, the Group acquired certain assets from Ziemann Group which was one of the world's leading turnkey solution providers in brewing with long business history and provided comprehensive equipment and services to breweries in various countries. This acquisition facilitated the development of the Group's capability for providing comprehensive turnkey solutions to its customers and enhanced our competitive advantages in the liquid food equipment business.

Our years of commitment in upholding effective communication with shareholders and investors have been well recognised. We are delighted that Hang Seng Indexes Company Limited selected the Company as a constituent of Hang Seng Global Composite Index and Hang Seng Composite Index Series with effect from 4 March 2013.

I am pleased to report that our efforts in market development and enhancing our production capacity by capital investment and technologies improvements have translated into real economic terms. Our businesses recorded a remarkable growth in 2012, the energy equipment and liquid food equipment segments especially.

On behalf of the Board of Directors, I am pleased to present to you our financial results of the year as below.

Results of the Year

Net profit attributable to equity shareholders for the year rose by 33.0% to RMB759,863,000 (2011: 571,509,000). Basic earnings per share was RMB0.405 and diluted earnings per share was RMB0.401 (2011: both RMB0.305).

Turnover rose to RMB8,082,895,000, a boost of 18.4%. Our largest segment – the energy equipment segment – experienced another year of stable growth with turnover rising by 26.2% to RMB4,268,442,000 (2011: RMB3,381,337,000). The chemical equipment segment remained stable at RMB2,845,992,000 (2011: RMB2,874,670,000) despite weak economic data from the US and Europe. The liquid food equipment's turnover surged by 69.0% to RMB968,461,000 (2011: RMB572,957,000) due to an improved business environment and acquisition of certain assets from Ziemann Group.

The combination of a steadily recovering global economy, our proactive sales strategies and competitive pricing power and ongoing effort on cost control all contributed to a surge in profit in 2012.

The Board is pleased to propose a final dividend in respect of 2012 of HKD0.07 (2011: HKD0.06) per ordinary share and HKD0.07 (2011: HKD0.06) per non-redeemable convertible preference share, subject to the approval of shareholders in the forthcoming annual general meeting to be held on Monday, 20 May 2013.

Future Plan and Strategies

During the year, the world economy has been undergoing a gradual recovery, yet the recovery will continue to face uncertainties. Even though China's GDP growth for 2012 was 7.8% year-on-year, economists forecasted economic recovery in 2013 is subject to certain upside and downside risks such as the sensitivity to the US fiscal policy. It is expected that the Chinese government is confident in achieving its growth and inflation targets for 2013 with modest monetary policy and expansionary fiscal policy.

The economic landscape of 2013 will continue to face uncertainties, we remain prudently optimistic about the outlook of the sectors we are engaged in. We strive to become a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries.

We will continue to expand our core business and strengthen our core competitiveness to further consolidate our leading market position in equipment manufacturing. In addition, we have been proactively seeking new revenue sources to attain long-term and healthy growth. We expect our business portfolio and leading market position will be reinforced through the organic and acquisition development in 2013.

In 2012, China has consumed 147.1 billion cubic meters ("bcm") of natural gas, representing a 13.0% annual increment. China has also reported a surge of 31.1% in natural gas import to 42.5 bcm over the corresponding year. According to the International Energy Agency forecasts, between 2012 and 2035 China will spend about USD240 billion on gas infrastructure relating to transmission and distribution and the LNG supply chain. Embracing the Chinese government's plan to boost natural gas consumption with significant investment being poured into the natural gas industry, our new plants in Shijiazhuang and Langfang of Hebei province and Bengbu of Anhui province have come into operation gradually from the third quarter of 2012 which enhanced our production capacity and competitiveness. We will continue to prepare our production capacity mindfully for coping with the industry's future development.

Developing our own ability to offer turnkey engineering services and one-stop solutions is one of our important strategies. With over 10 years' experience and the advanced qualifications in design and project engineering possessed by YPDI, we will step up our effort in exploring more turnkey projects and largely focus on the development of cryogenic tanks, refueling station projects, small and medium scale liquefaction, petrochemical gas storage, gas processing projects, chemical spherical tanks and special vessels for nuclear energy.

Our chemical equipment segment will remain committed in maintaining its leading position in tank container manufacturing business by controlling production costs, improving quality and enhancing operational efficiency. To pursue more business opportunities, the segment will input more resources to the development of special tank containers and exploration of more business opportunities especially in China through proactive marketing strategies.

The outlook of the global liquid food industry becomes positive, especially in developing countries like China. With the anticipation of a steady growth of the industry, our liquid food equipment arm will continue to implement extension strategies to broaden its customer base. We will make use of the resources of Ziemann International GmbH in terms of brand name, market network, manufacturing technologies, process automation and project reference for complementing our development both in Europe and the international market.

Expansion of overseas market has been our long term development strategy. Last year, our senior management team has visited the northern American market for onsite market research on the local LNG and shale gas industries. We will monitor continuously the market trend and translate the new market opportunities into business returns in the foreseeable future.

Confronted with economic uncertainties, extra efforts will be put into implementing a number of stringent cost control measures and internal control policies to maintain our competitiveness. We will continue to control our operational working capital by tightening inventory level and trade receivables.

As for the production aspect, we will also persist in our manufacturing technology improvement programs and the ONE (Optimisation Never Ending) production program which can contribute to reduction in production costs and sustainable enhancement of production efficiency and product quality.

Appreciation

Thanks to the shareholders, customers, suppliers and business partners for their trust and support and thanks to all Directors and employees for their dedication and good work. The encouraging results achieved for the past year depended on the valuable contributions of all of you. We are well prepared to cope with the challenges ahead, grasp business opportunities and bring long-term returns to our shareholders.

Zhao Qingsheng
Chairman

Hong Kong, 19 March 2013

Financial Summary

	For the year ended 31 December				
	2012 RMB'000	2011 RMB'000 (restated)	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**8,082,895**	6,828,964	3,998,617	3,057,466	5,785,542
Profit from operations	**936,032**	738,799	377,698	274,887	713,258
Finance costs	**(8,894)**	(12,465)	(11,697)	(40,242)	(57,136)
Profit before taxation	**927,138**	726,334	366,001	234,645	656,122
Income tax	**(161,562)**	(147,294)	(83,589)	(34,124)	(103,517)
Profit for the year	**765,576**	579,040	282,412	200,521	552,605
Attributable to:					
Equity shareholders of the Company	**759,863**	571,509	276,901	199,731	552,313
Non-controlling interests	**5,713**	7,531	5,511	790	292
	765,576	579,040	282,412	200,521	552,605
Earnings per share					
– basic	**RMB0.405**	RMB0.305	RMB0.148	RMB0.107	RMB0.295
– diluted	**RMB0.401**	RMB0.305	RMB0.148	RMB0.107	RMB0.295

	As at 31 December				
	2012 RMB'000	2011 RMB'000 (restated)	2010 RMB'000	2009 RMB'000	2,008 RMB'000
Total assets	**7,727,182**	6,777,051	4,848,476	4,296,521	4,397,320
Total liabilities	**(3,649,343)**	(3,346,311)	(2,033,833)	(1,721,029)	(2,045,365)
Net assets	**4,077,839**	3,430,740	2,814,643	2,575,492	2,351,955

Note: The figures for the years 2011 and 2012 have been prepared as if the current combined entity has been in existence throughout the two years and please refer to note 2(b) in the Notes to Financial Statements for details. The figures for the three years from 2008 to 2010 are not restated as the cost to produce such information outweighs the benefits.

Financial Highlights

	As at 31 December		
	2012 RMB'000	2011 RMB'000 (restated)	+/–
FINANCIAL POSITION			
Total assets	**7,727,182**	6,777,051	+14.0%
Net assets	**4,077,839**	3,430,740	+18.9%
Net current assets	**2,209,031**	2,088,413	+5.8%
Cash balances	**1,010,385**	1,082,020	–6.6%
Bank loans and overdrafts	**400,241**	515,707	–22.4%
Gearing ratio[1]	**9.8%**	15.0%	–5.2 ppt

	For the year ended 31 December		
	2012 RMB'000	2011 RMB'000 (restated)	+/–
OPERATING RESULTS			
Turnover	**8,082,895**	6,828,964	+18.4%
Gross profit	**1,578,240**	1,279,037	+23.4%
EBITDA	**1,079,721**	854,372	+26.4%
Profits from operations	**936,032**	738,799	+26.7%
Profit attributable to equity shareholders	**759,863**	571,509	+33.0%
PER SHARE DATA			
Earnings per share – basic	**RMB0.405**	RMB0.305	+32.8%
Earnings per share – diluted	**RMB0.401**	RMB0.305	+31.5%
Net asset value per share	**RMB2.170**	RMB1.832	+18.4%
KEY STATISTICS			
GP ratio	**19.5%**	18.7%	+0.8 ppt
EBITDA margin	**13.4%**	12.5%	+0.9 ppt
Operating profit margin	**11.6%**	10.8%	+0.8 ppt
Net profit margin[2]	**9.4%**	8.4%	+1.0 ppt
Return on equity[3]	**20.4%**	18.3%	+2.1ppt
Interest coverage – times	**56.4**	56.6	–0.2
Inventory turnover days	**114**	112	+2
Debtor turnover days	**72**	60	+12
Creditor turnover days	**75**	72	+3

1 Gearing ratio = Bank loans and overdrafts/Total equity

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

3 Return on equity = Profit attributable to equity shareholders/Average shareholders' equity

Management Discussion and Analysis

Under the anticipated gradual economic recovery, favourable policies and development trend, the long-term outlook of the energy, chemical and liquid food industries remain broadly positive.

Industry Overview

Four years after the eruption of the global financial crisis, the world economy is still struggling to recover amid the European debt crisis and the impact of weakened economy in the United States. The International Monetary Fund has reported an increase of 3.2% in 2012's world output. China's economy has maintained a steady growth and its GDP expanded by 7.8% year-on-year.

At the onset of 2013, under the anticipated gradual economic recovery, favourable policies and development trend, the long-term outlook of the energy, chemical and liquid food industries the Group engaged in remain broadly positive.

Energy

According to the BP Statistical Review of World Energy released in June 2012, the global energy consumption growth in 2011 moderated along with the world economy. All of the net growth took place in emerging countries, with China alone accounting for 71% of the global energy consumption growth.

With an increase of awareness of the use of clean energy, the world's natural gas consumption grew by 2.2% in 2011 with a large volumetric increase in China of 21.5%. The Chinese government has announced that China has consumed 147.1 billion cubic meters ("bcm") of natural gas in 2012, representing a growth of 13.0%. The market predicted that China's natural gas consumption will continue its fast-growth period with an increase of 11.9% year-on-year to 165.0 bcm in 2013.

China's share of natural gas in its primary energy consumption was 4.5% in 2011, in contrast with the world's average of 23.7%, according to BP's statistics. The Chinese government targeted to boost the percentage to approximately 8% with a total consumption of 230 bcm in 2015. To achieve the target, significant investment will be poured into the construction and development of natural gas infrastructure for the receiving, processing and distribution of natural gas, such as LNG terminals, natural gas liquefaction plants, regasification plants and gas pipelines.

CNG refueling station system

Following the Second West-East Gas Pipeline, the Third Shan-Jing Gas Pipeline and the Changling-Jihua Pipeline which have came into operation since 2011, more gas pipelines such as the Sino-Burma Oil-and-Gas Pipeline and Third West-East Gas Pipeline are scheduled for completion during 2013 and 2015. The total length of oil and gas pipeline is projected to be reaching 150,000 kilometers ("km") by 2015 from 77,000 km in 2010.

LNG trailer

After the LNG terminals in Rudong, Dalian and Ningbo started running recently, there are several LNG terminals under construction, such as Zhuhai, Caofeidian and Hainan. More natural gas infrastructure such as LNG satellite station, LNG refueling stations, liquefaction plants and natural gas depots will be built in China.

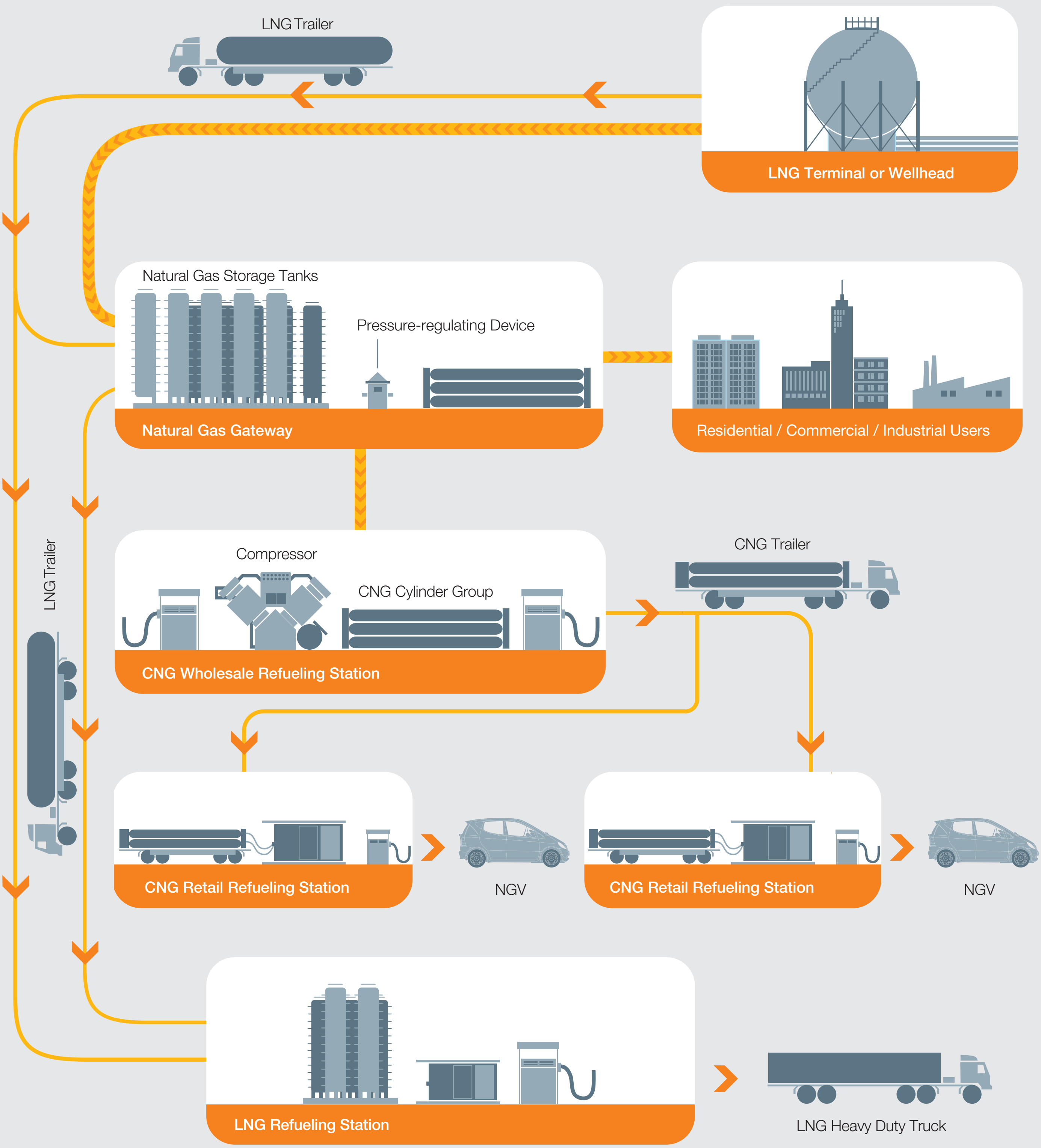
CNG trailer

Imports can greatly supplement domestic gas production to meet thriving demand for natural gas in China. The country is rapidly raising gas imports which account for roughly 28.9% of consumption in 2012. China imported 14.4 million tons of LNG in 2012 and is projected reaching 16.5 million tons for the year 2013, up 14.6% year-on-year. Oil and gas giant companies in China have entered into agreements for LNG imports from several gas producing countries to maintain the stability of gas supply for the coming ten years.

LPG trailer

In August 2011, the Ministry of Finance of China announced that the government will grant value-added tax (VAT) rebates for natural gas and LNG imported for the period from 2011 through 2020, if import prices are higher than domestic selling prices. Again, this reflects the government's commitment to maintain a steady gas supply in the face of an accelerating domestic consumption.

Natural Gas Transportation, Storage and Distribution



Some LNG stored to slake utility demand spikes, especially during winter as gas demand for heating is much higher in cold weather, is called peak-shaving gas. China's peak-shaving gas storage in LNG tanks was about 0.4bcm as of 2012, mainly located in major cities such as Beijing, Shanghai, Hefei and Zhengzhou. This is equivalent to less than 4% (or 12 days of normal consumption) of total gas consumption per year for these four cities. As such, China targets to increase peak-shaving usage capacity to 1.5 bcm by 2015. This reflects a high growth potential for the LNG storage and transportation equipment market.

Apart from the conventional gas sources, the Chinese government has escalated efforts to the development of unconventional gas deposits such as shale gas and coal seam gas in order to satisfy its energy thirst. China intended to have a local supply of 6.5 bcm shale gas annually by 2015 and to reach between 60 bcm and 100 bcm by 2020. Besides, China's coal seam gas production in 2015 is planned to achieve 30 bcm, which is 20 times the current output. This shows the country's bright prospect of its unconventional gas market.

However, China is still in its initial stage of evaluating and developing its unconventional gas sources which posts risks for drillers that lack technologies and experiences to a certain extent. It is a big step forward that China and the United States announced in 2009 the Sino-US Shale Gas Resource Cooperative Initiative to help the country develop the required know-how and technology. In recent years, certain deals have been made between the Chinese top oil and gas companies and the energy enterprises in countries like the United States, Canada and Australia where the Chinese would provide capital in exchange for technologies and experiences in producing unconventional gas.

Natural gas has for years been heavily promoted for use in vehicles ("NGVs") by the Chinese government. On 31 October 2012, the country announced a new policy on natural gas utilisation effective from December 2012, which specified that NGV refueling will continue to receive priority usage of natural gas resources. The Chinese government has also taken various measures to adopt more NGVs, for example, establishment of more natural gas refueling stations in areas near various public transport fleets, introducing CNG and LNG buses and taxis on the road, which in turn offers good business opportunity for gas refueling station equipment.

Besides natural gas, LPG is the other commonly used gas fuel in China due to lack of natural gas pipeline grid in the medium and small cities as well as rural areas. In 2012, China consumed approximately 24 million tons of LPG, representing an increase of 1.2% from 2011.

The bright prospect of the energy equipment market will unavoidably attract more competitors. Superior industry qualifications, good reputation, sound track record, strong sales and marketing team and advanced R&D capability, all of which the Group possesses, will become the decisive competitive advantages over rivals.

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.

The global economy in 2012 grew by 3.2% as it continues to recover from the 2008 financial crisis. Riding on the gradual economic recovery, the outlook of the global chemical industry remains positive as companies have switched their focus from survival to long term strategy development.

According to the estimates of the International Tank Containers Organization, the number of tank containers in use will double by 2020. In regions other than Asia, the tank container trade volume will grow at a speed of around 6% a year, while in Asia around 10% a year, in which China will contribute to the majority of the share.

Merger and acquisition activities in the global chemical industry are likely to further increase, especially the Asia-Pacific regions. According to statistics published by European Chemical Industry Council in September 2011, Asian chemical production equaled that of Europe plus the United States, in particular, China was the world's biggest chemical producer in 2010. In light of the rosy Eastern market, China and the rest of Asia-Pacific attracted the bulk of chemicals investment, with around US$350 billion in 2010.

The significant investment is in line with the local government's planning. For China, the state-owned chemical majors enjoy the availability of vast amounts of government funding and a national policy of self-sufficiency in chemicals. According to the "Petrochemical Industry 12th Five-Year Guide", the Chinese government foresees the annual growth rate of the country's petrochemical industry to be about 10% by 2015. It is expected that the market for tank containers and trailers designed for transporting chemicals will maintain a modest growth momentum. Yet the growth momentum still faces uncertainties due to adverse factors like the debt crisis in Europe.

Having considered as one of the safest, greenest and most efficient methods for transporting fine chemicals, stainless steel tank containers have been increasingly used by a wide range of enterprises and logistic companies in the international market, particularly China. While the Chinese government encourages industry upgrade and environmental consciousness, the low-end mode of transportation is expected to be gradually replaced by standard tank containers. Market penetration for standard tank containers is yet approximately 8% only in China, this reflects that the Chinese market offers huge growth potential. Meanwhile, the market for specialised tank containers also sees a rapid development following the business diversification of tank container operators.

Besides, under the Montreal Protocol, an accelerated schedule to phase out ozone depleting substances was adopted, and, in turn, hastens the demand for tank containers for transporting refrigerant.

In response to the significant investments on infrastructure construction projects in China, the demand for carbon steel tank containers which transport materials such as cement powder, asphalt and lubricant has been growing. In 2009, the Chinese government started a lot of road and highway construction projects as one of the economic stimulation measures. Huge amount of asphalt is required for these projects. Furthermore, since 2010, a vast amount of maintenance projects have commenced as many asphalted highways in China have gone into maintenance period. All these factors trigger a significant increase in demand for asphalt tanks. A lot of asphalt is by-products from petrochemical plants in Russia and the Middle East, this will also drive the use of asphalt tanks.

All the above favourable industry development will definitely benefit the chemical storage and transportation equipment business that the Group engaged in.

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.

According to the National Bureau Statistics of China, the percentage of urban population to total population in China has reached 51% by 2011. It is forecasted that the percentage will progressively climb to 75% in the coming 20 years, which will drive long-term economic development in the country. In view of the rapid urbanisation along with increasing household income and purchasing power, the liquid food industry in China is expected to experience further growth.

In late 2011, the Chinese government announced the "Food Industry 12th Five-Year Plan" to promote further development of its beverage and brewing industries.

Under the plan, the domestic beverage production is projected to reach 160 million tons by 2015, representing an annual growth around 10%. A wide range of measures will be implemented by the state to achieve the goal, including government's supports in brand building, mergers and acquisitions, technological advancement and innovation, expansion to overseas markets, enhancement of certification and monitoring systems.

China sets in the plan a sales target for its brewing industry to be RMB830 billion by 2015, with an average annual growth over 10%. The government also spells out its support for brewing enterprises through aspects such as mergers and acquisitions among the brewers, building of production base, optimisation of the product structure and product differentiating innovation.

The Chinese government has put greater emphasis on domestic consumption to stimulate economic growth. A number of international major brewery groups and liquid food producers as well as the Chinese liquid food producers have poured investments in China, especially on building production facilities and plants. Added to this, China has reinforced the promotion of food safety and energy saving in the nation, in turn pushing up the demand for replacement and advancement of liquid food equipment. With broader awareness of food safety and health, it is expected that the demand for dairy drinks and fruit juice in China will accelerate day after day.

In view of the above, the outlook of the Chinese liquid food industry remains bright. The transportation, storage and processing equipment for liquid food will be indispensible for the future development of the industry.

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 in the energy, chemical and liquid food industries.

Product portfolio

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

Energy equipment

- CNG seamless pressure cylinders
- CNG trailers
- LNG trailers and tanks
- Natural gas refueling station systems
- LPG trailers 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" and "Ziemann".

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 chemical industry but also from markets such as foodstuffs and beverages.

Operational performance

During the year, the energy equipment segment remained the top grossing segment of the Group with revenue rose by 26.2% to RMB4,268,442,000 (2011: RMB3,381,337,000) and accounted for 52.8% (2011: 49.5%) of the Group's total turnover. Both CNG and LNG are the main revenue contributors of this segment.

The chemical equipment segment remained stable at RMB2,845,992,000 (2011: RMB2,874,670,000) notwithstanding weak economic data from the US and Europe. The segment made up 35.2% of the Group's total turnover (2011: 42.1%).

Despite only accounting for 12.0% of the Group's total turnover (2011: 8.4%), the liquid food equipment segment has outshone the other two segments by posting a growth of 69.0% to RMB968,461,000 during the year (2011: RMB572,957,000). As a result of emerging market exploration in liquid food equipment industry and the contribution from Ziemann International GmbH are the main reasons for this segment's surge in turnover.

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 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.

Following the acquisition of YPDI, the Group's R&D team has been working closely with YPDI on the overall planning and co-ordination of research and development on turnkey engineering projects as well as product design.

Moreover, following the recent acquisition of certain assets from Ziemann Group, the Group expects to benefit from broader resources and advanced technologies on the R&D of comprehensive turnkey solutions for processing and distribution of liquid food.

The Group also pays much effort to optimise product design. To save transportation costs and enhance our profitability, the Group has focused on developing lightweight products with advanced technology. Progress has also been made on developing key components in-house rather than procuring them externally, which in turn shortening the production cycle and ensuring the product quality.

In response to market development and needs, the Group devoted RMB103,381,000 (2011: RMB82,192,000) to the R&D of new products and manufacturing technologies in 2012.

During the year, the Group conducted almost forty R&D projects and more than half of which have been completed in the year. For example, the energy equipment segment invested in the R&D of LNG refueling station systems, LNG ship tanks, composite cylinders for hydrogen storage and high-pressure tube trailers. The chemical equipment arm focused on the development of special tank containers, carbon steel tank containers and light-weight tank containers.

Besides, through close strategic cooperation between the Group's R&D team and external professionals from a research institute and a steel manufacturer in the PRC, the Group targets to develop its own high-strength steel for transportable pressure vessels.

In future, the Group will continue to devote more resources to launch quality products to broaden its customer portfolio and provide more sustainable growth in turnover.

Production capacity

In 2012, the Group invested RMB753,773,000 in capital expenditure. On top of the investments for regular maintenance and production technology improvements amounted to RMB61,663,000, the amount of RMB427,333,000 and RMB264,777,000 were attributable to enhancement of production capacity and acquisition activities respectively.

The newly acquired subsidiary, YPDI enriches our project engineering capability which enables us to expand into upstream customer network; while another acquisition of Nantong Transport will further increase our production capacity of our existing energy equipment including LNG trailers and other cryogenic transportation and storage products. The completion of the above acquisitions definitely enables us to maintain leading position in equipment manufacturing.

During the year, we have made a strategic acquisition to expand our core business and strengthen our core competitiveness in the liquid food equipment industry. The acquisition of certain assets from Ziemann Group extends our business into manufacturing of full range brewery equipment and enhances our turnkey project capabilities for breweries, thereby raising our competitive strength and laying a soild foundation for further growth in the liquid food equipment industry.

The Group expanded the production capacity of its energy equipment in order to tap into the progressive growth of gas source as more pipelines and coastal LNG terminals will be operational in coming years. This was principally achieved by organic growth through both expanding our existing production plants and constructing new production lines. Following the investment plan started in late 2011, the capital expenditure went to enhancement of energy equipment production facilities in the PRC which included acquisition of land and construction of factory buildings for relocating the compressors production plant to a newly developed industrial park in Bengbu. In addition, the Group built a light-weight composite cylinder production line in Shijiazhuang, expanded the LNG production facilities in Zhangjiagang and the LPG product plant in Jingmen. For the chemical equipment segment, the Group also invested in enhancing the production capacities of the tank container production base in Nantong. During the year, the investment plan was further expanded to enhance the production capacity of natural gas refueling system in Langfang.

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 exported to South-east Asia, Europe and both North and South America. While the production bases of liquid food products are established in Europe, its products and services are sold worldwide.

The Group is committed to build a broad and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group's broad customer base includes big names such as PetroChina, Sinopec, CNOOC, China Resources Gas, ENN Energy, China Railway Group, Air Products, EXSIF, TAL International, Sinochem International and Stolt-Nielsen.

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 RMB3,620,048,000 (2011: RMB3,307,051,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America. The Group has organised visits to several emerging markets recently, so as to gather local market information and meantime promote its products and services.

Since the set-up of a representative office in South-east Asia has boosted local sales and allows direct access to customers in surrounding regions, the Group will look for opportunities 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 competitive business environment and tight monetary conditions in China.

The Group will also adopt some proactive sales and marketing approaches to enlarge its market share, for example, building of market information database, collaborative sales mechanism and major customer management program.

Cost control

With firm determination to maximise cost efficiency, the Group continues to implement cost control and management enhancement programs. Benefiting from economies of scale as well as successful implementation of the above programs, 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. Regular meetings with subsidiaries have been held to discuss and formulate procurement plans. An inventory collaboration team has also been formed to monitor the inventory level and procurement processes. During the year, satisfactory results in cost reduction have been accomplished.

The Group has also achieved cost reduction through optimising product design and production processes. For instance, the Group has been manufacturing key components internally to maintain cost efficiency.

Moreover, the Group will implement a flexible cost forecast program among its subsidiaries, to achieve tighter cost control and more accurate and efficient budgeting. Such program emphasizes on the relationship between different productivity levels and types of cost involved.

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), China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), the TÜV NORD of Germany, 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 ISO9001 certification.

The Group also possesses certain patented technologies in different countries to protect its invention and know-how. At 31 December 2012, the Group held exclusive rights to a portfolio of over 260 patents.

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

Customer service

The Group values long-standing relationship with customers. Customer service centres have been established in various cities in the PRC and 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. Moreover, the Group organises regular conferences where customers are 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 Xi'an, Shenyang, Haikou, Xinjiang and Yangzhou, the PRC. The original centre in Urumqi has been moved and combined with the newly built centre in Xinjiang which has put into operation in the second half of 2012. 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 2012, the total number of employees of the Group was approximately 9,100. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB889,250,000 (2011: RMB750,214,000).

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 growth in global demand for equipment for the storage and transportation of natural gas and specialty gases, particularly in China, the energy equipment segment continued its robust growth in 2012. The chemical equipment segment's turnover remained stable year on year, despite weak economic data from the US and Europe, which dampened the growth momentum of tank containers, the key product of this segment. The business environment of liquid food equipment industry has improved and coupled with the acquisition of certain assets from Ziemann Group which broadened our product line-up, the segment posted a surge in turnover. As a result, the turnover for 2012 increased by 18.4% to RMB8,082,895,000 over the previous year (2011: RMB6,828,964,000). The performance of each segment is discussed below.

Energy equipment remains the top grossing segment of the Group, its turnover rose by 26.2% to RMB4,268,442,000 (2011: RMB3,381,337,000) and accounted for 52.8% (2011: 49.5%) of the overall turnover.

Chemical equipment segment's turnover remained stable at RMB2,845,992,000 (2011: RMB2,874,670,000) and contributed 35.2% (2011: 42.1%) of the overall turnover, making it the second top grossing segment of the Group.

Turnover of liquid food equipment segment surged by 69.0% to RMB968,461,000 (2011: RMB572,957,000) and contribution to the Group's overall turnover increased from 8.4% in the previous year to 12.0%.

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly by 1.5 percentage points to 21.9% (2011: 23.4%). As the energy equipment grows rapidly, the Group reduced the selling prices of certain products in order to maintain the Group's leading market position which caused the segment's GP margin to slip slightly.

In relation to the chemical equipment segment, its GP margin saw a further improvement from 14.8% in 2011 to 17.5% in the current year. This is mainly attributable to the falling price of stainless steel, the key raw materials during the year. A change in product mix with custom-made tank containers increasing its sales contribution also boosted the segment's GP margin.

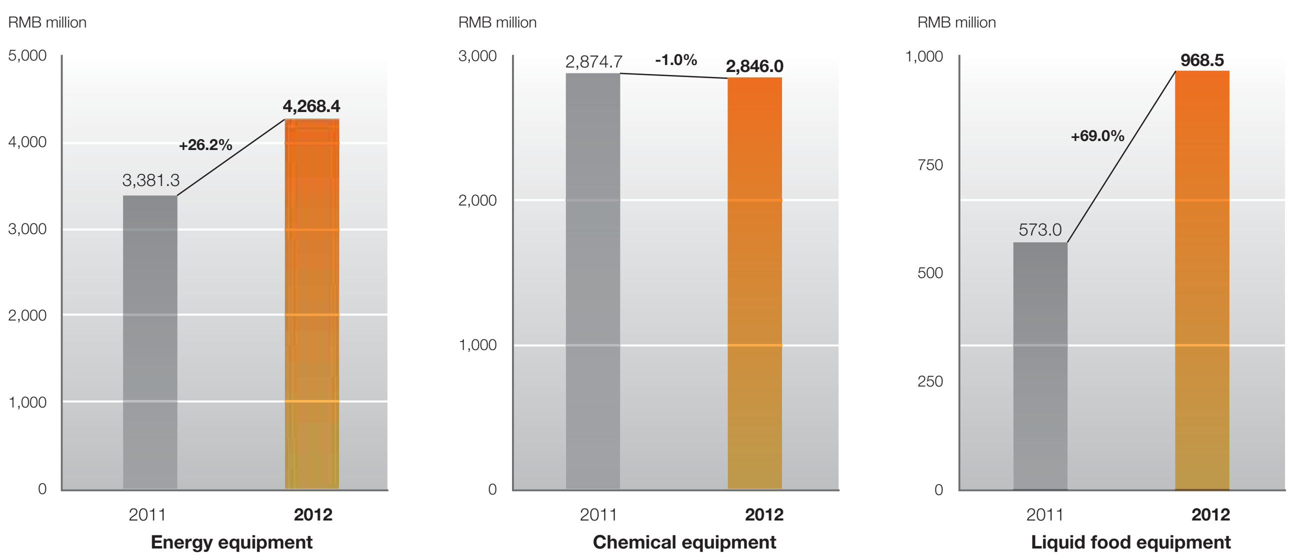
The GP margin for liquid food equipment segment rebounded from 10.7% in 2011 to 15.2%. During the year, the Group established Ziemann International GmbH for the acquisition of certain assets from Ziemann Group which boosted the segment's GP margin in two ways. Firstly, the acquisition lifted the GP margin as the Group has diversified into full range brewery equipment and turnkey projects for breweries which command higher GP margin. Secondly, the acquisition in certain extent reduces competition in the liquid food equipment market as Ziemann Group used to be one of the Group's competitors in this segment.

Due to the different contribution by respective segments on the overall GP margin, the improved GP margins of both chemical and liquid food equipment segments lifted the Group's overall GP margin slightly by 0.8 percentage point to 19.5% (2011: 18.7%).

Profit from operations expressed as a percentage of turnover increased by 0.8 percentage point to 11.6% (2011:10.8%) which is mainly attributable to an improved GP margin despite both selling and administrative expenses rose slightly faster than the growth in turnover.

As a result, profit attributable to equity shareholders of the Company for the year reached RMB759,863,000 representing a growth of 33.0% over the previous year (2011: RMB571,509,000).

Segment's Turnover



Other revenue

Other revenue totalling RMB159,431,000 in 2012 (2011: RMB126,772,000) consisted of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in the other operating revenue and government grant during 2012.

Selling expenses

Selling expenses increased by 29.6% to RMB259,419,000 (2011: RMB200,238,000).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 faster than turnover as the cost of human resources rose with an increase in the sales force, as well as a rise in both transportation expenses and product warranty following the growth in turnover.

Administrative expenses

Administrative expenses increased by 20.1% to RMB564,842,000 (2011: RMB470,229,000) which is slightly faster than the rise in turnover. Administrative expenses rose mainly due to the increase in cost of human resources as a result of an increased headcount and rising R&D expenses to cope with business expansion. Furthermore, the acquisition of YPDI and Ziemann Group's assets has increased the amount of legal and professional fees as well as amortisation of intangible assets.

Other net income

Other net income increased to RMB25,648,000 in 2012 (2011: RMB1,140,000) which comprised loss on disposal of property, plant and equipment, charitable donations and various miscellaneous income. The rise in current year's other net income was mainly attributable to the gain on purchase of certain assets from Ziemann Group amounted to RMB25,016,000 (2011: Nil).

Finance costs

During 2012, finance costs fell by 28.6% to RMB8,894,000 (2011: RMB12,465,000). Finance costs mainly comprised interest on bank loan and other borrowings of RMB16,730,000 (2011: RMB13,060,000). During the year the Group has increased bank borrowings to meet working capital requirement. Despite repaying a portion of bank borrowings towards the year end, the average bank borrowing is still higher than in 2011 thus resulting in higher interest expenses. However this was to some extent offset by a higher exchange gain of RMB9,971,000 during the year (2011: RMB4,032,000).

Taxation

Tax expenses for the Group edged up by 9.7% to RMB161,562,000 in 2012 (2011: RMB147,294,000) which is much slower than the growth of turnover. The reversal of temporary differences in relation to accrued expenses, revaluation of both tangible and intangible assets as well as distribution of profits from PRC subsidiaries have offset the rise in current tax. In addition, the tax planning measures introduced by the Group during the year has proved to be effective in reducing unused tax losses.

Financial Resources Review

Liquidity and financial resources

At 31 December 2012, the Group recorded cash on hand of RMB1,010,385,000 (2011: RMB1,082,020,000) and bank loans and overdrafts of RMB400,241,000 (2011: RMB515,707,000). A portion of the Group's bank deposits totalling RMB56,893,000 (2011: RMB86,940,000), 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 2012, the Group's bank loans and overdrafts amounted to RMB400,241,000 (2011: RMB515,707,000), other than the HKD240,000,000 (equivalent to RMB194,604,000) three-year term loan and the RMB65,453,000 two-year term loans for capital expenditure, the remaining is repayable within one year. Apart from the three-year term loan dominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.00% to 6.89% per annum. At 31 December 2012, the Group did not have secured bank loan (2011: Nil). As of 31 December 2012, bank loans amounting to RMB400,057,000 (2011: RMB512,757,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2011: zero times) as the Group retained a net cash balance of RMB610,144,000 (2011: RMB566,313,000). The increase in net cash balance represents effective control on inventory level and outstanding operation results. Apart from this, the management dedicates its effort to continuously improve the cash management to minimise unnecessary finance cost. As a result, both bank balance and bank loans recorded reduction at year end. The Group's interest coverage was 56.4 times for the year (2011: 56.6 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2012, net cash generated from operating activities amounted to RMB856,704,000 (2011: RMB353,127,000). The Group drew bank loans of RMB1,090,239,000 (2011: RMB1,202,958,000) and repaid RMB1,202,939,000 (2011: RMB829,533,000). A payment of final dividend in respect of the financial year 2011 were approximately RMB116,881,000. In addition, cash proceeds amounted to RMB18,786,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 31 December 2012, total assets of the Group amounted to RMB7,727,182,000 (2011: RMB6,777,051,000) while total liabilities were RMB3,649,343,000 (2011: RMB3,346,311,000). The net asset value rose by 18.9% to RMB4,077,839,000 (2011: RMB3,430,740,000) which was mainly attributable to the net profit of RMB765,576,000, plus by exchange difference on translation of financial statements denominated in foreign currencies of RMB34,704,000 for the year. As a result, the net asset value per share increased to RMB2.170 at 31 December 2012 from RMB1.832 at 31 December 2011.

Contingent liabilities

At 31 December 2012, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2012, the Group had contracted but not provided for capital commitments of RMB90,611,000 (2011: RMB354,350,000). As of 31 December 2012, the Group did not have authorised but not contracted for capital commitments (2011: Nil).

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. Concurrently, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2012, the Group had total capital commitments of RMB90,611,000.

Directors and Senior Management

Directors

Mr. Zhao Qingsheng

Chairman and Executive Director, chairman of Nomination Committee

Mr. Zhao, aged 60, 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 (招商局集團) in 1983 and was the general manager of its enterprise department from 1991 to 1995. He was appointed the vice general manager of China Merchants Holdings (International) Company Limited from 1995 to 1999. Mr. Zhao was the vice chairman of CIMC from 1997 to 1999 and served as a vice president of CIMC from 1999 until now. He holds directorships in certain subsidiaries of the Company.

Mr. Gao Xiang

General Manager and Executive Director

Mr. Gao, aged 48, 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, and currently hold directorships in certain subsidiaries of CIMC. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Jianlong

Executive Director, member of Remuneration Committee

Mr. Jin, aged 59, 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 a manager of the financial management department of CIMC and then 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) respectively. 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 47, 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 Group Holdings Limited (formerly known as TSC Offshore Group Limited, shares of which are listed on the Main Board of the Stock Exchange) and Pteris Global Limited (shares of which are listed on the main board of the Singapore Stock Exchange) respectively. Mr. Yu is also a member of the second session of the Appellate Review Committee of the Shenzhen Stock Exchange. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director

Mr. Jin, aged 49, 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 qualified as a lawyer in the PRC. 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 59, 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 many 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, chairman of Audit Committee and member of Nomination Committee

Mr. Wong, aged 40, 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 a 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, chairman of Remuneration Committee and member of Audit Committee

Mr. Tsui, aged 52, 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 Greater China Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Real Estate Association 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 63, 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 57, was appointed as a deputy general manager of the Company in November 2005. 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 Chunfeng

Deputy General Manager

Mr. Liu, aged 50, was appointed as a deputy general manager of the Company in May 2012. He obtained a master's degree in mechanical production from Shandong University of Technology (山東工業大學) (now known as Shandong University (山東大學)). Mr. Liu joined CIMC in 1989 as an engineer and was the manager of various departments in CIMC and its subsidiaries from 1993 to 2010. Since May 2010, he has been the general manager of Nantong CIMC Tank Equipment Co., Ltd. (南通中集罐式儲運設備製造有限公司), a wholly-owned subsidiary of the Company.

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 45, was appointed as a deputy general manager of the Company in May 2012. She received a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院). Ms. Yang held various management positions in a subsidiary of XinAo Gas Holdings Limited (now known as ENN Energy Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange) from 2002 to 2005, and then joined the Group in March 2005. Since January 2010, she has been 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.

Mr. Shi Caixing

Deputy General Manager

Mr. Shi, aged 49, was appointed as a deputy general manager of the Company in May 2012. He graduated from a master's course at the School of Economics of the Peking University (北京大學經濟學院) and is a senior economist. Mr. Shi was an executive director of the Company from September 2007 to September 2009. Prior to joining the Group, he was an executive vice general manager of Zhangjiagang Sanctum Chemical Machinery Co., Ltd. (張家港市聖達因化工機械有限公司) from 1999 to 2004. Since September 2004, Mr. Shi has been the general manager of Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. (張家港中集聖達因低溫裝備有限公司), a wholly-owned subsidiary of the Company.

Mr. Sun Hongli

Deputy General Manager

Mr. Sun, aged 44, was appointed as a deputy general manager of the Company in May 2012. He obtained a bachelor's degree and a master's degree in transportation and control of liquid from South China University of Technology (華南理工大學). Mr. Sun joined CIMC in 1994 as a design engineer and an assistant to quality manager in a subsidiary of CIMC and was a vice manager of the research and development centre of CIMC from 1997 to 2002. He was an assistant to general manager of Nantong CIMC Tank Equipment Co., Ltd. (南通中集罐式儲運設備製造有限公司), a wholly-owned subsidiary of the Company, from 2002 to 2009. Mr. Sun was an assistant to general manager of the Company from January 2009 to April 2012.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 41, is responsible for financial reporting, financial management, corporate finance and implementation of corporate governance practices of the Company. He obtained 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 a member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked for an international certified public accountants firm and has many years of experience in audit, financial reporting, 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 corporate governance code issued by the Stock Exchange as its principal guideline in relation to corporate governance practices.

The following policies and guidelines in connection with corporate governance 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;
- Procedures for Disclosure of Interests in Shares of the Company and its Associated Corporations;
- Code for Securities Transactions by Relevant Persons;
- Procedures for Shareholders to Propose a Person for Election as a Director;
- Shareholders' Communication Policy;
- Internal Whistleblowing Policy; and
- Information Disclosure Policy.

From 1 January 2012 to 31 March 2012, the Company complied with all the code provisions of the former Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the revised Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules effective from 1 April 2012 as its principal guideline in relation to corporate governance.

From 1 April 2012 to 31 December 2012, the Company complied with all the code provisions of the revised CG Code except for the deviation of code provision A.6.7 that Mr. Jin Yongsheng, a non-executive Director, was unable to attend the AGM held on 18 May 2012 due to other important business commitment.

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;
- appointments to the Board; and
- remuneration of the senior management.

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2012 and up to the date of this report, the Board, amongst others:

- reviewed the performance and formulated business strategies of the Group;
- reviewed and approved financial statements of the Group for the two years ended 31 December 2011 and 2012, and for the six months ended 30 June 2012 respectively;
- reviewed the continuing connected transactions of the Group;
- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- approved the change of composition of the Remuneration Committee and the Nomination Committee;
- approved the change of deputy general managers of the Company;
- approved the change of external auditor of the Company;
- approved the acquisition of selected assets of Ziemann Group;
- approved the change of principal share registrar and transfer agent of the Company; and
- reviewed the effectiveness of internal controls taken by the Group.

Board of Directors *(Continued)*

The board *(Continued)*

The Board is also responsible for performing the corporate governance functions of the Company, including developing, reviewing and monitoring the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the code applicable to employees and Directors; reviewing the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

During 2012, the Board, among others, performed the following corporate governance functions:

- reviewed and refined the corporate governance practices of the Company, in view of certain amendments to the Listing Rules and the CG Code;
- reviewed and revised the terms of reference of the Audit Committee, Remuneration Committee and the Nomination Committee respectively;
- reviewed and revised the guideline namely "Division of Responsibilities between the Chairman and the General Manager of the Company;
- approved and adopted the guidelines namely "Procedures for Shareholders to Propose a Person for Election as a Director" and "Shareholders' Communication Policy"; and
- reviewed the disclosure in the Corporate Governance Report set out in the Company's Annual Report 2011.

In 2013 and up to the date of this report, the Board, among others, performed the following corporate governance functions:

- reviewed and revised the guidelines namely "Policy on Appointment of Directors" and "Code for Securities Transactions by Relevant Persons";
- approved and adopted the guidelines namely "Internal Whistleblowing Policy" and "Information Disclosure Policy"; and
- reviewed the disclosure in the Corporate Governance Report set out in the Company's Annual Report 2012.

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.

Board of Directors *(Continued)*

The board *(Continued)*

The Chairman and the senior management will ensure all Directors (including the Non-executive Directors) have access to adequate, complete and timely information so that they can make informed decisions and discharge their duties and responsibilities as Directors. 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.

With a view to facilitating Directors' attendance at Board meetings and committee meetings as well as corporate events, the Company Secretary will seek advice from the Board and prepare an annual plan for the Board.

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 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 identified in all corporate communications that require disclosure of director names.

The list of Directors and their roles and functions has been published on the websites of the Stock Exchange and the Company.

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 19 to 21 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.

Board of Directors *(Continued)*

Responsibilities of directors

The Directors shall take decisions objectively in the best 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 and general meetings held in 2012 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.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company, upon their appointment, and in a timely manner for any change, 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 19 to 20 and on the Company's website.

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 possess inside 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, twice a year, that he has complied with the Model Code. Save as disclosed below, all the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2012.

On 6 December 2012 and 14 December 2012, Mr. Petrus Gerardus Maria van der Burg informed the Company that totally 15,000,000 shares of the Company owned by P.G.M. Holding B.V., a company controlled by Mr. van der Burg, were sold during the period from 7 November 2012 to 7 December 2012 without first notifying in writing the Director designated by the Board for this specific purpose and receiving a dated written acknowledgement. This is not in compliance with the required standard set out in B.8 of the Model Code. To address such non-compliance, the Board (via the Company Secretary) reminded Mr. van der Burg in writing the directors' obligation to comply with the Model Code and other rules and regulations relating to directors' dealing in the Company's securities and the possible consequence for the non-compliance. As a housekeeping measure, all Directors would be reminded monthly in writing their obligations relating to dealing in the Company's securities.

Board of Directors *(Continued)*

Director's attendance

	No. of meetings attended during 2012				
	Board	Audit Committee	Remuneration Committee (Note 1)	Nomination Committee (Note 2)	Shareholders
Executive Directors					
Mr. Zhao Qingsheng *(Chairman)*	4/4	–	–	3/3	2/2
Mr. Gao Xiang *(General Manager)*	4/4	–	–	–	1/2
Mr. Jin Jianlong	4/4	–	3/3	–	0/2
Mr. Yu Yuqun	4/4	–	–	–	0/2
Non-executive Directors					
Mr. Jin Yongsheng	4/4	–	–	–	0/2
Mr. Petrus Gerardus Maria van der Burg	4/4	–	–	–	1/2
Independent Non-executive Directors					
Mr. Wong Chun Ho	4/4	5/5	–	3/3	2/2
Mr. Tsui Kei Pang	4/4	5/5	3/3	–	2/2
Mr. Zhang Xueqian	4/4	5/5	3/3	3/3	1/2

	No. of meetings attended during 1 January 2013 to the date of this report				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders
Executive Directors					
Mr. Zhao Qingsheng *(Chairman)*	1/1	–	–	1/1	–
Mr. Gao Xiang *(General Manager)*	1/1	–	–	–	–
Mr. Jin Jianlong	1/1	–	1/1	–	–
Mr. Yu Yuqun	1/1	–	–	–	–
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	2/2	–	1/1	–
Mr. Tsui Kei Pang	1/1	2/2	1/1	–	–
Mr. Zhang Xueqian	1/1	2/2	1/1	1/1	–

Notes:

1. On 29 February 2012, Mr. Jin Jianlong has been re-designated from the chairman to a member of the Remuneration Committee, and Mr. Tsui Kei Pang has been re-designated from a member to the chairman of the Remuneration Committee.

2. On 29 February 2012, Mr. Jin Yongsheng has ceased to be the chairman and a member of the Nomination Committee, and Mr. Zhao Qingsheng has been appointed as the chairman and a member of the Nomination Committee.

Directors' training and professional development

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company is responsible for arranging and funding suitable training for the Directors.

Newly-appointed Directors will be briefed by the Company's legal advisor on director's responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances, the Listing Rules and the SFO). 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, plant 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 regulation updates and on issues of significance or on new opportunities of the Group.

During the year, the Company organised a seminar for the Directors on requirements to disclose inside information by listed companies, notifiable transactions and connected transactions under the Listing Rules and amendments to the CG Code. The seminar was facilitated by the external legal advisor of the Company. Six Directors, namely Mr. Zhao Qingsheng, Mr. Gao Xiang, Mr. Jin Jianlong, Mr. Jin Yongsheng, Mr. Tsui Kei Pang and Mr. Zhang Xueqian attended the seminar in person. Three Directors, namely Mr. Yu Yuqun, Mr. Petrus Gerardus Maria van der Burg and Mr. Wong Chun Ho studied the training materials of the seminar. Due to their own professional capacities, individual Directors also participated in other training relating to the roles, functions and duties as a director of a listed company or further enhancement of their professional development. All the Directors had provided their training records for the year ended 31 December 2012 to the Company.

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.

Remuneration of Directors and Senior Management

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

The key components of the remuneration package of Executive Directors and senior management of the Company include basic salary and management bonus. The remuneration packages of Non-executive Directors (including Independent Non-executive Directors) includes a fixed director's fee. Share options were granted as a long-term incentive to motivate Directors and the senior management in pursuit of corporate goal and objectives.

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

Remuneration of Directors and Senior Management *(Continued)*

The Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The Company 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.

Details of Directors' remuneration for the two years ended 31 December 2012 and 2011 respectively are listed out in note 8 to the financial statements.

The remuneration payable to the members of senior management of the Company fell within the following bands:

	Number of individuals
RMB1,000,000 or below	1
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	3
RMB2,500,001 to RMB3,000,000	1

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 to 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 have been published on the websites of the Stock Exchange and the Company.

On 29 February 2012, the Board approved the revision of terms of reference of the three committees, in view of certain amendments to the Listing Rules and the CG Code.

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 its resignation or dismissal;

  (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 engaging the 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;

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

- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The committee meets the external auditor and senior management of the Company regularly. During 2012, the Audit Committee reviewed, amongst others:

- the change of external auditor on 4 June 2012, in order to appoint the same auditor for the alignment of audit work with CIMC;

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2011;

- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the year ended 31 December 2011 and the six months ended 30 June 2012, and made recommendations to the Board;

- the integrity of the Group's annual accounts for the year ended 31 December 2011, and the interim results for the six months ended 30 June 2012 with the external auditor;

- the continuing connected transactions of the Group during 2011 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;

- the effectiveness of internal control system of the Group for 2012; and

- reviewed the guideline namely "Internal Whistleblowing Policy" as the arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and made recommendation to the Board.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

On 4 June 2012, the Company appointed PricewaterhouseCoopers as the external auditor of the Group. PricewaterhouseCoopers 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 2012	600,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2012	3,982,000
Total	4,582,000

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2012 and up to the date of this report.

Remuneration Committee

The Remuneration Committee was previously chaired by Mr. Jin Jianlong, an Executive Director. Its other members were previously Mr. Tsui Kei Pang an Mr. Zhang Xueqian, both are Independent Non-executive Directors. On 29 February 2012, Mr. Jin Jianlong has been re-designated from the chairman to a member of the committee, and Mr. Tsui Kei Pang has been re-designated from a member to the chairman of the committee.

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 2012, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, reviewed and made recommendations to the Board the remuneration packages of the Directors re-appointed during 2012 (including the General Manager) and the other Directors (except the members of the Remuneration Committee).

Nomination Committee

The Nomination Committee was previously 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. On 29 February 2012, Mr. Jin Yongsheng has ceased to be the chairman and a member of the committee, and Mr. Zhao Qingsheng, the chairman of the Board, has been appointed as the chairman and a member of the committee.

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.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Nomination Committee *(Continued)*

In 2012, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- considered the need for identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessed the independence of Independent Non-executive Directors;

- reported to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular for the chairman of the Board and the General Manager; and

- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2012, and made recommendation to the Board.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, Mr. Cheong Siu Fai, who is also the Financial Controller of the Company. The Company Secretary reports to the Chairman and/or the General Manager on corporate governance matters, and is responsible for ensuring that Board procedures are followed, facilitating communications among Directors as well as with shareholders and management.

The Company Secretary's biography is set out on page 21 under the section headed "Directors and Senior Management" and on the Company's website. During 2012, the Company Secretary undertook over 15 hours of relevant professional training.

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 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. Moreover, all the Directors were provided with monthly update from the management, to enable them to assess the Company's operational performance and financial position in a timely manner.

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 training seminars, 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 page 37. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 48.

Accountability and Audit *(Continued)*

Internal controls

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

The Board has the responsibility to ensure that sound and effective internal controls are maintained by the Group, while management is responsible for the establishment and implementation of internal controls.

The Board, mainly 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 "Report on the Effectiveness of Internal Control System" 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.

The Company has an Internal Whistleblowing Policy in place to enable employees to raise their concerns about any possible impropriety in financial reporting, internal control or other matters within the Group in confidence, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. An employee can raise his/her concern to the Audit Committee. The outcome of any investigation and follow-up action of all legitimate allegations will be reported to the Board by the Audit Committee.

Regarding the disclosure of inside information, the Company has a mechanism in place for monitoring its business development so that potential inside information can be promptly identified and escalated up for deciding whether an announcement should be made, as set out in the Company's Information Disclosure Policy which is available on the Company's website, in order to ensure compliance with the continuous obligations under the Listing Rules and the statutory obligation to disclose inside information under the SFO.

In determining whether certain information constitutes inside information, the Company adopts a bottom-up approach to escalate information about business developments of the organisation. The final decision on the outcome of inside information assessment shall rest with the Board. The Company designates the Chairman, the General Manager, the Financial Controller, the Company Secretary and Investor Relation delegates to speak on behalf of the Company when communicating with external parties such as investors, analysts or media. Furthermore, all Directors and relevant employees (as defined in the Listing Rules) of the Group are required to follow the Company's 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 2012.

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. In order to facilitate communication between the Company, shareholders and the investment community, the Directors and designated employees will maintain on-going dialogue with investors and analysts through one-on-one meetings, roadshows and marketing activities for investors.

The Company will keep the shareholders and the investment community informed of its latest development via various publications such as announcements, circulars, annual and interim reports and press releases, which are available on the Company's website in both English and Chinese.

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. All Directors are encouraged to attend general meetings and develop a balance understanding of the view of shareholders.

The external auditor will also be invited to attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

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

Shareholders' rights

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

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

There are no provision allowing shareholders to propose new resolutions at the general meetings under The Companies Law of the Cayman Islands. However, shareholders can convene an EGM by following article 58 of the Articles. 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.

Subject to the Articles and The Companies Law of the Cayman Islands, the Company may in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy on the Board, or as an addition to the existing Board. A shareholder may propose a person other than a director of the Company for election as a director at a general meeting. The "Procedures for Shareholders to propose a person for election as a Director" has been published on the Company's website.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch registrar in Hong Kong.

Shareholders may make enquiries with the Board at the general meetings. Alternatively, shareholders may at any time send their enquiries and concerns to the Board by addressing to the Company Secretary whose contact details are set out in "Investor relations contacts" hereafter in this section.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

General meetings held in 2012

In 2012, the Company held one AGM and one EGM.

The most recent general meeting was the AGM held on 18 May 2012 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Seven resolutions was proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions was therefore passed as ordinary resolutions of the Company. The major resolutions discussed and approved included:

- receiving and considering the audited consolidated financial statements, directors' report and independent auditor's report for the year ended 31 December 2011;
- declaration of final dividend in respect of 2011;
- re-election of the retiring Directors and authorising the Board to fix the remuneration of Directors;
- re-appointment of auditor and authorising the Board to fix the remuneration of auditor; and
- granting of general mandates to issue shares and to repurchase shares.

Full text of the above resolutions is set out in the notice of AGM of the Company dated 5 April 2012. The poll results of the AGM 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	:	ir@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 Memorandum and Articles of Association

During the year ended 31 December 2012, no amendments were made to the Company's memorandum and articles of association. The latest consolidated version of the Company's memorandum and articles of association has been published on the websites of the Stock Exchange and the Company.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2013

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2012.

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 the energy, chemical and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 19 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 2012 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 49 to 129.

Dividends and Reserves

The Directors are pleased to propose a final dividend in respect of 2012 of HKD0.07 per ordinary share and HKD0.07 per non-redeemable convertible preference share, subject to the approval of shareholders in the forthcoming annual general meeting to be held on Monday, 20 May 2013.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 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 2012 is as follows:

	Percentage of the Group's total	
	sales	**purchases**
The largest customer	5.5%	–
Five largest customers in aggregate *(Note 1)*	19.4%	–
The largest supplier	–	7.9%
Five largest suppliers in aggregate	–	25.7%

Major Customers and Suppliers *(Continued)*

Notes:

1. One of the top five customers of the Group is a company in which CIMC, holding more than 5% of the issued shares of the Company as at 31 December 2012, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.

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

Property, Plant and Equipment

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

Retirement Schemes

The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. In Europe, the Group operates various qualified defined benefit pension plans which are funded through payments to insurance companies. Particulars of retirement benefits are set out in note 37 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB187,000 (2011: RMB569,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 36 to the financial statements.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2012 are set out in note 28 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

At the forthcoming AGM, Messrs. Petrus Gerardus Maria van der Burg, Tsui Kei Pang and Zhang Xueqian 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 2012, 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%
Mr. van der Burg	Interest of controlled corporation	Ordinary	88,905,085 *(Note 2)*	6.42%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2012, which was 1,383,867,522. CIMC Vehicle, which is controlled by CIMC as to 80%, converted 138,414,166 preference shares into ordinary shares on 7 May 2012. CIMC HK, a wholly-owned subsidiary of CIMC, converted 382,227,155 preference shares into ordinary shares on 5 November 2012. As at 31 December 2012, the total number of ordinary shares and preference shares of the Company in issue were 1,383,867,522 and 495,000,000 respectively.

2. These 88,905,085 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 and 28 October 2011 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 42 to 44.

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)*	3,350,000	1.52% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,350,000	0.61% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(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. 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 220,700,000 units, of which 215,620,000 units were allocated as at 31 December 2012. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,350,000 units, 1,350,000 units, 2,350,000 units and 2,350,000 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 2012, which was 220,700,000.

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 and the Main Board of the Hong Kong 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 RMB11.58 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 2012, which was 2,662,396,051.

Save as disclosed above, as at 31 December 2012, 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 2012, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2012, 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	902,391,437 *(Note 2)*	65.21%
	Interest of controlled corporation	Preference	495,000,000 *(Note 3)*	100%
CIMC HK	Interest of controlled corporation	Ordinary	190,703,000 *(Note 4)*	13.78%
	Beneficial owner	Ordinary	636,632,645	46.00%
	Beneficial owner	Preference	495,000,000	100%
Charm Wise	Beneficial owner	Ordinary	190,703,000 *(Note 4)*	13.78%
CIMC Vehicle	Beneficial owner	Ordinary	75,055,792	5.42%
PGM	Beneficial owner	Ordinary	88,905,085	6.42%

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 2012, which were 1,383,867,522 and 495,000,000 respectively. The preference shares are convertible into ordinary shares on one-on-one basis. Generally, the holders of preference shares shall not be entitled to vote at general meetings of the Company except for certain situations set out in the Articles.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 636,632,645 ordinary shares held by CIMC HK and 75,055,792 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 495,000,000 preference shares held by CIMC HK. CIMC HK is wholly owned by CIMC.

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 2012, (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 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.

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 HKD0.01 each in the capital of the Company under the Scheme. A total of 3,350,000 number of these options were lapsed as at 31 December 2012.

Further, on 28 October 2011, the Company granted share options to certain eligible persons to subscribe for a total of 38,200,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 1,280,000 number of these options were lapsed as at 31 December 2012.

All the above options granted were accepted by the respective participants.

Share Options *(Continued)*

During the year ended 31 December 2012, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period	Number of share options: outstanding at 1 January 2012	granted during the year	exercised during the year	lapsed during the year	transferred to/from other category	outstanding at 31 December 2012
Directors								
Zhao Qingsheng	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	450,000	–	–	–	–	450,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	500,000	–	–	–	–	500,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Mr. van der Burg	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	400,000	–	–	–	–	400,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
			8,750,000	–	–	–	–	8,750,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	25,550,000	–	(5,100,000)	(100,000)	(1,350,000)	19,000,000
	28/10/2011	28/10/2013 – 27/10/2021	31,750,000	–	–	(880,000)	(520,000)	30,350,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	9,350,000	–	(674,000)	–	1,350,000	10,026,000
	28/10/2011	28/10/2013 – 27/10/2021	3,300,000	–	–	(400,000)	520,000	3,420,000
Total			78,700,000	–	(5,774,000)	(1,380,000)	–	71,546,000

Share Options *(Continued)*

Notes:

1. Regarding the share options granted on 11 November 2009:

   Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable from 11 November 2010 and up to 10 November 2019; and the remaining 50% of which become exercisable from 11 November 2011 and up to 10 November 2019.

   The exercise price of all the options granted is HKD4.00 per share. 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 HKD1.64.

2. As for the share options granted on 28 October 2011:

   Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 28 October 2013 and up to 27 October 2021; 30% of which become exercisable from 28 October 2014 and up to 27 October 2021; and the remaining 30% of which become exercisable from 28 October 2015 and up to 27 October 2021.

   The exercise price of all the options granted is HKD2.48 per share. 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 HKD1.02.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2012 was HKD5.84 per share.

4. The accounting policy adopted for the above options granted was set out in note 2(t)(ii) and note 31 to the financial statements.

As at the date of this report, a total of 48,315,220 number of options, representing 3.49% 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 119,861,220 shares, representing 8.66% 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 2012.

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	Holvrieka (China) Co., Ltd. ("NCLS") (南通中集大型儲罐有限公司)	manufacturing of stainless steel, static storage tanks and crafts tanks used to store beer, fruit juice and other food and chemical products	director and chairman of the board
Gao Xiang	NCLS	(same as above)	director
Jin Jianlong	NCLS	(same as above)	director
Mr. van der Burg	NCLS Hobur Twente B.V.	(same as above) design, manufacturing and sales of LPG vehicles	director interest of controlled corporation

Directors' Interests in Competing Business *(Continued)*

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

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

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

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

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

Connected Transactions and Interests in Contracts

Connected transactions and 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 22 December 2010, the Company entered into a product sales agreement with CIMC *(Note)* under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2011 to 31 December 2013. During the year, the Group's sale to CIMC Group was RMB376,495,000.

On 22 December 2010, the Company entered into a services agreement with CIMC under which the Group agreed to provide services, including but not limited to welding, heat treatment and testing, and other related services to the CIMC Group, for a term of three years from 1 January 2011 to 31 December 2013. During the year, the service income recognised by the Group was RMB24,722,000.

On 30 December 2011, the Company entered into a master office services agreement with CIMC, whereby the Group agreed to provide office services, including but not limited to staff catering, transportation services, leasing of office premises and other sites, and miscellaneous general office services to the CIMC Group, for a term of three years from 1 January 2012 to 31 December 2014. During the year, the office service income recognised by the Group was RMB7,723,000.

On 30 December 2011, the Company entered into a master processing services agreement with CIMC, whereby the CIMC Group agreed to provide processing services, including but not limited to uncoiling steel, sand blasting and base coat spraying, site leasing and other related services to the Group, for a term of three years from 1 January 2012 to 31 December 2014. During the year, the processing service charge incurred by the Group was RMB14,345,000.

On 30 December 2011, the Company entered into a master procurement of spare parts agreement with CIMC, whereby the Group agreed to procure various spare parts and/or raw materials, including but not limited to vehicle chassis and vehicle platforms from the CIMC Group, for a term of three years from 1 January 2012 to 31 December 2014. During the year, the Group's total purchase from CIMC Group was RMB111,905,000.

Connected Transactions and Interests in Contracts *(Continued)*

Connected transactions and continuing connected transactions subject to annual review *(Continued)*

On 30 December 2011, Holvrieka Holding B.V. (a wholly-owned subsidiary of the Company, "Holvrieka Holding") and Holvrieka (China) Company Limited (南通中集大型儲罐有限公司, a wholly-owned subsidiary of CIMC, "NCLS") entered into a technology licence agreement, whereby Holvrieka Holding granted to NCLS an exclusive non-transferrable right to use the know-how and certain trade names, trademarks and copyrights, collectively referred to as intellectual property rights of Holvrieka Holding in respect of the design, manufacturing and sale of tank and related parts in the PRC, for a term of three years from 1 January 2012 to 31 December 2014. During the year, the licence fee income recognised by the Group was RMB4,880,000.

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

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

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

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

The Company's auditor was engaged to report on the above transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rules 14A.38. The auditor has the following conclusions in the letter on continuing connected transactions disclosed by the Group:

a. nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements respectively dated 22 December 2010 and 30 December 2011 made by the Company in respect of each of the disclosed continuing connected transactions.

Interests in contracts of significance

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.

Note:

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

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 is committed to maintaining a high level of corporate governance practices.

The Company's corporate governance report is set out on pages 22 to 36. 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 2012.

Closure of Register of Members

To ascertain shareholders' entitlements to the proposed final dividend, the register of members of the Company will be closed from Friday, 24 May 2013 to Monday, 27 May 2013 (both days inclusive). In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716,17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 23 May 2013.

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

KPMG resigned from its position as auditor of the Company on 4 June 2012. On the same date, PricewaterhouseCoopers was appointed as the new auditor of the Company to fill the vacancy by the resignation of KPMG and to hold office until the conclusion of the forthcoming AGM.

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

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2013

pwc 羅兵咸永道

To the shareholders of CIMC Enric Holdings Limited
(incorporated in 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 49 to 129, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 disclosure requirements of 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 and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with 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 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 of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (restated)
Turnover	4&13	**8,082,895**	6,828,964
Cost of sales		**(6,504,655)**	(5,549,927)
Gross profit		**1,578,240**	1,279,037
Change in fair value of derivative financial instruments		**(3,026)**	2,317
Other revenue	5	**159,431**	126,772
Other net income	5	**25,648**	1,140
Selling expenses		**(259,419)**	(200,238)
Administrative expenses		**(564,842)**	(470,229)
Profit from operations		**936,032**	738,799
Finance costs	6(a)	**(8,894)**	(12,465)
Profit before taxation	6	**927,138**	726,334
Income tax	7	**(161,562)**	(147,294)
Profit for the year		**765,576**	579,040
Attributable to:			
Equity shareholders of the Company		**759,863**	571,509
Non-controlling interests		**5,713**	7,531
Profit for the year		**765,576**	579,040
Earnings per share	12		
– Basic		**RMB0.405**	RMB0.305
– Diluted		**RMB0.401**	RMB0.305

The notes on pages 57 to 129 form an integral part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000 (restated)
Profit for the year	**765,576**	579,040
Other comprehensive income for the year		
Exchange difference on translation of financial statements denominated in foreign currency	**34,704**	(37,970)
Total comprehensive income for the year	**800,280**	541,070
Attributable to:		
Equity shareholders of the Company	**794,567**	533,539
Non-controlling interests	**5,713**	7,531
Total comprehensive income for the year	**800,280**	541,070

The notes on pages 57 to 129 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	14(a)	**1,575,115**	1,019,898
Construction in progress	15	**187,586**	274,773
Lease prepayments	16	**328,273**	277,066
Intangible assets	17	**133,976**	33,593
Prepayments	18	**–**	118,137
Goodwill	20	**129,341**	42,783
Other financial assets	21	**59**	59
Deferred tax assets	33(b)	**48,589**	39,369
		2,402,939	1,805,678
Current assets			
Derivative financial instruments	22	**15**	3,041
Inventories	23	**1,974,295**	2,077,554
Trade and bill receivables	24	**1,841,547**	1,355,952
Deposits, other receivables and prepayments	25	**460,970**	434,779
Amounts due from related parties	39(c)	**37,031**	18,027
Cash at bank and in hand	27	**1,010,385**	1,082,020
		5,324,243	4,971,373
Current liabilities			
Bank loans and overdrafts	28	**263,160**	321,139
Trade and bill payables	29	**1,351,418**	1,311,622
Other payables and accrued expenses	30	**1,329,817**	1,146,514
Amounts due to related parties	39(c)	**75,395**	63,466
Provisions	32	**20,181**	20,355
Income tax payable	33(a)	**75,173**	19,803
Employee benefit liabilities	35	**68**	61
		3,115,212	2,882,960
Net current assets		**2,209,031**	2,088,413
Total assets less current liabilities		**4,611,970**	3,894,091

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (restated)
Non-current liabilities			
Bank loans	28	**137,081**	194,568
Provisions	32	**50,057**	29,952
Deferred tax liabilities	33(b)	**101,328**	99,097
Deferred income	34	**243,988**	138,132
Employee benefit liabilities	35	**1,677**	1,602
		534,131	463,351
NET ASSETS		**4,077,839**	3,430,740
CAPITAL AND RESERVES			
Share capital	36(b)	**17,282**	17,235
Reserves		**4,034,631**	3,393,292
Equity attributable to equity shareholders of the Company		**4,051,913**	3,410,527
Non-controlling interests		**25,926**	20,213
TOTAL EQUITY		**4,077,839**	3,430,740

The notes on pages 57 to 129 form an integral part of these consolidated financial statements.

The financial statements on pages 49 to 129 were approved by the Board of Directors on 19 March 2013 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Balance Sheet

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14(b)	**–**	–
Investments in subsidiaries	19	**4,274,331**	4,273,541
		4,274,331	4,273,541
Current assets			
Other receivables		**88**	20
Amounts due from subsidiaries	40	**523,631**	290,682
Cash at bank and in hand	27	**18,126**	146,873
		541,845	437,575
Current liabilities			
Bank loans	28	**72,977**	48,642
Other payables and accrued expenses		**2,177**	4,114
Amounts due to subsidiaries	40	**69,834**	32,676
		144,988	85,432
Net current assets		**396,857**	352,143
Total assets less current liabilities		**4,671,188**	4,625,684
Non-current liabilities			
Bank loans	28	**121,627**	194,568
		121,627	194,568
NET ASSETS		**4,549,561**	4,431,116
CAPITAL AND RESERVES	36		
Share capital		**17,282**	17,235
Reserves		**4,532,279**	4,413,881
TOTAL EQUITY		**4,549,561**	4,431,116

The notes on pages 57 to 129 form an integral part of these financial statements.

The financial statements on pages 49 to 129 were approved by the Board of Directors on 19 March 2013 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 36(b)	Share premium RMB'000 36(c)(i)	Contributed surplus RMB'000 36(c)(ii)	Capital reserve RMB'000 36(c)(iii)	Exchange reserve RMB'000 36(c)(iv)	General reserve fund RMB'000 36(c)(v)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (as previously reported)	17,235	287,517	807,206	46,517	(197,115)	88,099	1,750,346	2,799,805	14,838	2,814,643
Nantong Transport under common control combination	–	–	31,464	–	–	–	(5,000)	26,464	–	26,464
At 1 January 2011 (restated)	17,235	287,517	838,670	46,517	(197,115)	88,099	1,745,346	2,826,269	14,838	2,841,107
Profit for the year	–	–	–	–	–	–	571,509	571,509	7,531	579,040
Other comprehensive income	–	–	–	–	(37,970)	–	–	(37,970)	–	(37,970)
Total comprehensive income	–	–	–	–	(37,970)	–	571,509	533,539	7,531	541,070
Equity-settled share-based transactions (note 31)	–	–	–	13,681	–	–	–	13,681	–	13,681
Acquisition of non-controlling interests (note 44)	–	–	–	–	–	–	(1,444)	(1,444)	(2,156)	(3,600)
Capital injection from previous shareholders of Nantong Transport under common control combination	–	–	38,482	–	–	–	–	38,482	–	38,482
Transfer to general reserve	–	–	–	–	–	69,050	(69,050)	–	–	–
At 31 December 2011 (restated)	17,235	287,517	877,152	60,198	(235,085)	157,149	2,246,361	3,410,527	20,213	3,430,740
At 1 January 2012 (restated)	17,235	287,517	877,152	60,198	(235,085)	157,149	2,246,361	3,410,527	20,213	3,430,740
Profit for the year	–	–	–	–	–	–	759,863	759,863	5,713	765,576
Other comprehensive income	–	–	–	–	34,704	–	–	34,704	–	34,704
Total comprehensive income	–	–	–	–	34,704	–	759,863	794,567	5,713	800,280
Issuance of shares in connection with exercise of share options	47	26,444	–	(7,705)	–	–	–	18,786	–	18,786
Transfer to retained earnings	–	–	–	(831)	–	–	831	–	–	–
Equity-settled share-based transactions (note31)	–	–	–	11,244	–	–	–	11,244	–	11,244
Transfer to general reserve	–	–	–	–	–	79,523	(79,523)	–	–	–
2011 final dividend paid	–	(116,881)	–	–	–	–	–	(116,881)	–	(116,881)
Distribution to previous shareholders of Nantong Transport under common control combination	–	–	(66,330)	–	–	–	–	(66,330)	–	(66,330)
At 31 December 2012	17,282	197,080	810,822	62,906	(200,381)	236,672	2,927,532	4,051,913	25,926	4,077,839

The notes on pages 57 to 129 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (restated)
Operating activities			
Profit before taxation		**927,138**	726,334
Adjustments for:			
Depreciation and amortisation		**135,853**	114,978
Change in fair value of derivative financial instruments		**3,026**	(2,317)
Interest income	5	**(16,112)**	(17,172)
Interest charges	6(a)	**16,730**	13,060
Gain from bargain purchase	5	**(25,016)**	–
Net (gain)/loss on disposal of property, plant and equipment	5	**(51)**	1,107
Equity-settled share-based payment expenses	6(b)	**11,244**	13,681
Foreign exchange gain	6(a)	**(9,971)**	(4,032)
Operating profit before changes in working capital		**1,042,841**	845,639
Decrease/(increase) in inventories		**139,866**	(735,240)
Increase in trade and bill receivables		**(387,201)**	(474,099)
Decrease/(increase) in deposits, other receivables and prepayments		**135,832**	(124,157)
(Increase)/decrease in amounts due from related parties		**(19,003)**	12,752
Decrease in restricted bank deposits		**30,046**	31,137
Increase in trade and bill payables		**4,021**	433,962
(Decrease)/increase in other payables and accrued expenses		**(64,976)**	434,393
(Decrease)/increase in amounts due to related parties		**(8,071)**	44,480
Increase/(decrease) in employee benefit liabilities		**81**	(498)
Increase in deferred income		**105,856**	35,798
Increase in provisions		**18,130**	5,506
Cash generated from operations		**997,422**	509,673
Income tax paid	33(a)	**(140,718)**	(156,546)
Net cash from operating activities		**856,704**	353,127

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (restated)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(427,882)**	(334,536)
Payment for lease prepayments		**–**	(69,144)
Payment for acquisition of intangible assets		**(23,560)**	(1,717)
Payment of deposits for lease prepayments		**–**	(56,362)
Proceeds from disposal of property, plant and equipment		**4,143**	554
Proceeds from disposal of lease prepayment		**7,061**	–
Proceeds from sale of held-to-maturity debt securities		**–**	1,685
Acquisition of subsidiaries, net of cash acquired	43	**(264,777)**	(33,000)
Acquisition of non-controlling interests	44	**–**	(3,600)
Interest received		**16,112**	17,172
Equity investment under common control combination		**(37,555)**	(28,775)
Net cash used in investing activities		**(726,458)**	(507,723)
Financing activities			
Proceeds from new bank loans		**1,090,239**	1,202,958
Repayment of bank loans		**(1,202,939)**	(829,533)
Interest paid		**(20,303)**	(13,060)
Proceeds from issuance of ordinary shares		**18,786**	–
Dividends paid to Company's shareholders		**(116,881)**	–
Loan from a related party		**20,000**	–
Net cash (used in)/generated from financing activities		**(211,098)**	360,365
Net (decrease)/increase in cash and cash equivalents		**(80,852)**	205,769
Cash and cash equivalents at 1 January		**992,130**	811,874
Effect of foreign exchange rate changes		**42,030**	(25,513)
Cash and cash equivalents at 31 December		**953,308**	992,130

The notes on pages 57 to 129 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together 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.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its listing on the Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The 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(c) provides information on any changes in accounting policies resulting from initial application these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

(b) Basis of preparation of the financial statements

On 17 February 2012, Nantong CIMC Tank Equipment Co., Ltd. ("Nantong Tank"), a wholly-owned subsidiary of the Company, acquired from CIMC Vehicle (Group) Co., Ltd. and CIMC Tank Equipment Investment Holdings Company Limited 75% and 25%, respectively, of the issued share capital of Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") for an aggregate consideration of RMB66,330,000.

Since the Company, Nantong Tank and Nantong Transport are ultimately controlled by China International Marine Containers (Group) Co., Ltd. ("CIMC") both before and after the abovementioned acquisition, this acquisition is regarded as "common control combination". Accordingly, the Company has applied merger accounting to account for the acquisition of Nantong Transport in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

Reconciliation of the results of operations for the year ended 31 December 2011 and as at 31 December 2011 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	For the year ended 31 December 2011 (Restated)				**For the year ended 31 December 2012**
	The Group RMB'000 (as previously reported)	Nantong Transport RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	**The Group RMB'000**
Results of operations					
Revenue	6,716,034	119,752	(6,822)	6,828,964	**8,082,895**
Profit from operations	732,627	6,172	–	738,799	**936,032**
Profit for the year	574,591	4,449	–	579,040	**765,576**
Profit for the year attributable to equity shareholders of the Company	567,060	4,449	–	571,509	**759,863**

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

	As at 31 December 2011 (Restated)				As at 31 December 2012
	The Group RMB'000 (as previously reported)	Nantong Transport RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	**The Group RMB'000**
Financial position					
Current assets	4,895,412	83,973	(8,012)	4,971,373	**5,324,243**
Total assets	6,655,018	130,045	(8,012)	6,777,051	**7,727,182**
Current liabilities	2,830,322	60,650	(8,012)	2,882,960	**3,115,212**
Total liabilities	3,293,673	60,650	(8,012)	3,346,311	**3,649,343**
Equity attributable to equity shareholders of the Company	3,341,132	69,395	–	3,410,527	**4,051,913**

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 2(f)); and

– derivative financial instruments (see note 2(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. They are not relevant to the group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 2(p), (q) or (r) depending on the nature of the liability.

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 2(f).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 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 2(l)).

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.

(f) Investments in debt and equity securities

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

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

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in income statement. Dividend income from these investments is recognised in income statement in accordance with the policy set out in note 2(w)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in income statement in accordance with the policy set out in note 2(w)(vi). When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss is reclassified from equity to income statement.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

(h) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

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.

(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 2(l)). Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

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

No depreciation is provided for construction in progress.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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.

(j) Lease prepayments

Lease prepayments represent payments for land use rights to the People's Republic of China ("PRC") authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

(k) Operating lease charges

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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

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

Investments in debt and equity securities 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 investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– 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 these financial assets 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

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

– 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.

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 and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

An impairment loss is recognised in 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 2(l)(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

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

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

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

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

(n) Project engineering contracts

Project engineering contracts are contracts specifically negotiated with a customer for the engineering design or 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 2(w)(ii). When the outcome of a project engineering 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 project engineering contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Project engineering 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 bill receivables”. Amounts received before the related work is performed are presented as “Advances received” under “Other payables and accrued expenses”.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Preference share capital

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

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(p) and accordingly dividends thereon are recognised on an accruals basis in the income statement as part of finance costs.

(r) Trade and other payables

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

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

Pursuant to the relevant laws and regulations of the PRC, the PRC subsidiaries have joined a defined contribution basic retirement scheme for their employees arranged by the local Labour and Social Security Bureau. The subsidiaries make contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. The contributions are accrued in the year in which the associated services are rendered by employees. When employees retire, the local Labour and Social Security Bureau are responsible for the payment of the basic retirement benefits to the retired employees. The Group has no further obligations beyond the annual contributions.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(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 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.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

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

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

(w) Revenue recognition

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

(ii) Contract revenue

When the outcome of a project engineering 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 project engineering 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

Unconditional government grants are recognised in 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.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated 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 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 using the foreign exchange rates ruling at the dates the fair value was determined.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

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

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

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Segment reporting

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

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 20, 31 and 41 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments.

(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 goodwill, property, plant and equipment, construction in progress, intangible assets and lease prepayments (see note 2(l)) the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows 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.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iii) Warranty provisions

As explained in note 32, 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) Project engineering contracts

As explained in policy notes 2(n) and (w)(ii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the project engineering contract, as well as the work done to date. Based on the Group's recent experience and the nature of the project engineering 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 26 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.

4 TURNOVER

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

Turnover represents: (i) the sales value of goods sold after allowances for returns of goods, excludes value added taxes or other sales taxes and is after the deduction of any trade discounts; and (ii) revenue from project engineering contracts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 **RMB'000**	2011 RMB'000 (restated)
Sales of goods	**6,657,070**	6,138,885
Revenue from project engineering contracts	**1,425,825**	690,079
	8,082,895	6,828,964

5 OTHER REVENUE AND OTHER NET INCOME

		2012 RMB'000	2011 RMB'000 (restated)
Other revenue			
Government grants	(i)	**35,624**	17,907
Other operating revenue	(ii)	**107,695**	91,693
Interest income from bank deposits		**16,112**	17,172
		159,431	126,772

(i) Government grants represent various forms of incentives and subsidies given to subsidiaries by the PRC government, and the recognition of deferred government grants as set out in note 34.

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

	2012 RMB'000	2011 RMB'000 (restated)
Other net income		
Net gain/(loss) on disposal of property, plant and equipment	**51**	(1,107)
Charitable donations	**(187)**	(569)
Gain from bargain purchase (note 43)	**25,016**	–
Other net income	**768**	2,816
	25,648	1,140

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2012 RMB'000	2011 RMB'000 (restated)
Interest on bank loans and other borrowings	**20,303**	13,060
Less: interest capitalised	**(3,573)**	–
	16,730	13,060
Foreign exchange gain	**(9,971)**	(4,032)
Bank charges	**2,135**	3,437
	8,894	12,465

(b) Staff costs[i]

	2012 RMB'000	2011 RMB'000 (restated)
Salaries, wages and allowances	**842,540**	694,519
Contributions to retirement schemes (note 37)	**35,466**	42,014
Equity-settled share-based payment expenses (note 31)	**11,244**	13,681
	889,250	750,214

6 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items

	2012 RMB'000	2011 RMB'000 (restated)
Cost of inventories (i)	**5,296,070**	4,934,152
Auditors' remuneration	**4,582**	4,795
Depreciation of property, plant and equipment (i)	**114,947**	101,091
Amortisation of intangible assets	**14,426**	8,283
Amortisation of lease prepayments	**6,480**	5,604
Impairment provision for trade receivables	**17,447**	15,180
Reversal of impairment provision for trade receivables	**(11,168)**	(15,888)
Impairment provision for other receivables	**1,525**	112
Reversal of impairment provision for other receivables	**(1,478)**	(9,971)
Write-down of inventories	**3,467**	14,292
Reversal of write-down of inventories	**(1,952)**	(4,883)
Research and development costs	**103,381**	82,192
Operating lease charges for property rental	**7,360**	4,495
Provision for product warranties	**35,742**	21,548

(i) Cost of inventories includes RMB272,583,000 (2011: RMB260,426,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000 (restated)
Current tax		
Provision for the year	**196,348**	155,577
Over-provision in respect of prior years	**(3,225)**	(2,168)
	193,123	153,409
Deferred tax		
Reversal of temporary differences	**(31,561)**	(6,115)
	161,562	147,294

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 years. Profits of the Group's operating subsidiaries are subject to income tax in the respective tax jurisdictions.

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

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

According to the Corporate Income Tax Law of the People's Republic of China (the "Tax Law"), the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%.

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%.

During the year ended 31 December 2012, 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 15% to 25% (2011: 15% to 25%).

Pursuant to the Tax Law and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2012, deferred tax liability recognised in this regard was RMB27,965,000 (2011: RMB45,422,000) (see note 33(b).

Taxation of Dutch subsidiaries, Belgian subsidiary, Danish subsidiary and German subsidiary are charged at the current rates of 25%, 33.99%, 25% and 30% 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:

	2012 **RMB'000**	2011 RMB'000 (restated)
Profit before taxation	**927,138**	726,334
Notional tax on profit before taxation, calculated at the applicable rates	**241,146**	199,401
Effect of tax concessions	**(90,338)**	(80,777)
Tax effect of non-taxable income	**(4,118)**	(2,264)
Tax effect of non-deductible expenses	**4,280**	3,158
Tax effect of unused tax losses not recognised	**475**	8,083
Deferred tax charge on distributable profits	**(17,457)**	8,942
Over-provision in prior years	**(3,225)**	(2,168)
Utilisation of tax losses	**(60)**	–
PRC dividend withholding tax	**30,859**	12,919
Actual tax expense	**161,562**	147,294

8 DIRECTORS' REMUNERATION

Details of directors' and chief executive's remuneration for the year ended 31 December 2012 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 (i)	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	147	147
Executive Directors:							
Gao Xiang (ii)	–	1,021	25	900	1,946	164	2,110
Jin Jianlong	–	–	–	–	–	98	98
Yu Yuqun	149	–	–	–	149	98	247
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	98	98
Petrus Gerardus Maria van der Burg	–	–	–	–	–	131	131
Independent Non-executive Directors:							
Tsui Kei Pang	149	–	–	–	149	98	247
Wong Chun Ho	149	–	–	–	149	98	247
Zhang Xueqian	147	–	–	–	147	98	245
	594	1,021	25	900	2,540	1,030	3,570

8 DIRECTORS' REMUNERATION *(Continued)*

Details of directors' and chief executive's remuneration for the year ended 31 December 2011 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 (i)	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	320	320
Executive Directors:							
Gao Xiang(ii)	–	744	9	460	1,213	323	1,536
Jin Jianlong	–	–	–	–	–	253	253
Yu Yuqun	75	–	–	–	75	253	328
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	164	164
Petrus Gerardus Maria van der Burg	–	–	–	–	–	317	317
Independent Non-executive Directors:							
Tsui Kei Pang	137	–	–	–	137	17	154
Wong Chun Ho	137	–	–	–	137	164	301
Zhang Xueqian	135	–	–	–	135	17	152
	484	744	9	460	1,697	1,828	3,525

(i) 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 2(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

(ii) In addition to his role as Executive Director, Mr. Gao also serve as General Manager of the Group.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the section headed "Share Options" in the Directors' Report and note 31.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five (2011: five) individuals with the highest emoluments, including one of the Directors, are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	**4,921**	5,263
Bonuses	**4,717**	1,438
Share-based payments	**848**	877
Retirement scheme contributions	**82**	82
	10,568	7,660

The emoluments of the five (2011: five) individuals including one director with the highest emoluments are within the following bands:

	2012 Number of Individuals	2011 Number of individuals
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	2
HKD1,500,001 – HKD2,000,000	**–**	2
HKD2,000,001 – HKD2,500,000	**2**	–
HKD2,500,001 – HKD3,000,000	**2**	–
HKD3,000,001 – HKD3,500,000	**1**	1

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a gain of RMB179,507,000 (2011: loss of RMB42,686,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

The final dividend of approximately RMB116,881,000 (HKD0.06 per share) in respect of the year ended 31 December 2011 were paid in 2012. A final dividend in respect of the year ended 31 December 2012 of HKD0.07 (equivalent to approximately RMB0.06) per ordinary share and HKD0.07 (equivalent to approximately RMB0.06) per non-redeemable convertible preference share has been proposed by the Directors. The proposed final dividend in respect of 2012 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it was proposed after the balance sheet date.

	2012 RMB'000	2011 RMB'000
Proposed final dividend HKD0.07 (2011: HKD0.06) per share		
– Ordinary share	**78,548**	53,505
– Non-redeemable convertible preference share	**28,096**	63,376
	106,644	116,881

12 EARNINGS PER SHARE

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

	2012 RMB'000	2011 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**759,863**	571,509

	2012	2011
Number of shares		
Weighted average number of ordinary shares at 31 December	**1,008,169,539**	857,452,201
Weighted average number of non-redeemable convertible preference shares	**865,728,934**	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	**1,873,898,473**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme (note 31)	**21,098,367**	–
Weighted average number of shares for the purpose of diluted earnings per share	**1,894,996,840**	1,873,093,522

13 SEGMENT REPORTING

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. The operating segments with similar economic characteristics 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), interest income from bank deposits, interest expenses, 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.

13 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 year is set out below.

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2012 RMB'000	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)
Revenue from external customers	**4,268,442**	3,381,337	**2,845,992**	2,874,670	**968,461**	572,957	**8,082,895**	6,828,964
Inter-segment revenue	**795**	178	**–**	–	**–**	–	**795**	178
Reportable segment revenue	**4,269,237**	3,381,515	**2,845,992**	2,874,670	**968,461**	572,957	**8,083,690**	6,829,142
Reportable segment profit (adjusted profit from operations)	**564,378**	518,797	**421,611**	328,412	**42,505**	11,541	**1,028,494**	858,750
Interest income from bank deposits	**3,713**	4,579	**5,564**	5,187	**6,039**	7,217	**15,316**	16,983
Interest expense	**(7,771)**	(2,469)	**(3,486)**	(7,954)	**(1,383)**	(155)	**(12,640)**	(10,578)
Depreciation and amortisation for the year	**(81,915)**	(62,634)	**(25,979)**	(22,559)	**(27,667)**	(29,785)	**(135,561)**	(114,978)
Reportable segment assets	**4,769,012**	3,861,415	**1,773,157**	1,928,647	**1,017,975**	609,964	**7,560,144**	6,400,026
Additions to non-current segment assets during the year	**567,288**	419,184	**50,144**	62,141	**199,182**	5,716	**816,614**	487,041
Reportable segment liabilities	**2,315,456**	1,875,321	**612,691**	933,826	**342,251**	143,361	**3,270,398**	2,952,508

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

	2012 RMB'000	2011 RMB'000 (restated)
Revenue		
Reportable segment revenue	**8,083,690**	6,829,142
Elimination of inter-segment revenue	**(795)**	(178)
Consolidated turnover	**8,082,895**	6,828,964

13 SEGMENT REPORTING *(Continued)*

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

	2012 RMB'000	2011 RMB'000 (restated)
Profit		
Reportable segment profit	**1,028,494**	858,750
Elimination of inter-segment profit	**(8,669)**	(3,773)
Reportable segment profit derived from Group's external customers	**1,019,825**	854,977
Finance costs	**(8,894)**	(12,465)
Unallocated operating income and expenses	**(83,793)**	(116,178)
Consolidated profit before taxation	**927,138**	726,334

	2012 RMB'000	2011 RMB'000 (restated)
Assets		
Reportable segment assets	**7,560,144**	6,400,026
Elimination of inter-segment receivables	**(90,753)**	(67,735)
	7,469,391	6,332,291
Deferred tax assets	**48,589**	39,369
Unallocated assets	**209,202**	405,391
Consolidated total assets	**7,727,182**	6,777,051

	2012 RMB'000	2011 RMB'000 (restated)
Liabilities		
Reportable segment liabilities	**3,270,398**	2,952,508
Elimination of inter-segment payables	**(90,753)**	(67,735)
	3,179,645	2,884,773
Income tax liabilities	**75,173**	19,803
Deferred tax liabilities	**101,328**	99,097
Unallocated liabilities	**293,197**	342,638
Consolidated total liabilities	**3,649,343**	3,346,311

13 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 property, plant and equipment, intangible assets, construction in progress, lease prepayments, prepayments, 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	
	2012 RMB'000	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)
PRC (place of domicile)	**4,462,847**	3,521,913	**1,865,096**	1,541,046
United States	**741,423**	856,565	**–**	–
European countries	**2,054,285**	1,246,857	**369,975**	191,163
Asian countries (other than PRC)	**694,178**	889,181	**–**	–
Other American countries	**96,030**	227,867	**–**	–
Other countries	**34,132**	86,581	**–**	–
	3,620,048	3,307,051	**369,975**	191,163
	8,082,895	6,828,964	**2,235,071**	1,732,209

For the year ended 31 December 2012, there was no single external customer that accounted for 10% or more of the Group's total turnover (2011: Nil).

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings RMB'000 (restated)	Leasehold improvements RMB'000 (restated)	Machinery RMB'000 (restated)	Motor vehicles RMB'000 (restated)	Office equipment RMB'000 (restated)	Total RMB'000 (restated)
Cost:						
At 1 January 2011	717,147	1,737	707,721	45,235	113,331	1,585,171
Additions	1,794	–	17,669	5,674	5,276	30,413
Disposals	(413)	–	(2,835)	(4,166)	(1,425)	(8,839)
Transfers from construction in progress	72,738	–	31,793	4,499	9,804	118,834
Exchange adjustment	(18,224)	–	(17,347)	(1,068)	(2,777)	(39,416)
At 31 December 2011	773,042	1,737	737,001	50,174	124,209	1,686,163
At 1 January 2012	773,042	1,737	737,001	50,174	124,209	1,686,163
Additions	35,699	–	34,057	8,628	14,612	92,996
Acquisition through business combination (note 43)	120,631	–	20,052	4,601	22,994	168,278
Disposals	(37,954)	–	(14,426)	(2,072)	(4,706)	(59,158)
Transfers from construction in progress	308,771	–	142,225	4,526	8,958	464,480
Exchange adjustment	6,572	–	4,719	330	979	12,600
At 31 December 2012	**1,206,761**	**1,737**	**923,628**	**66,187**	**167,046**	**2,365,359**
Accumulated depreciation:						
At 1 January 2011	(155,748)	(534)	(336,120)	(31,170)	(75,761)	(599,333)
Charge for the year	(27,981)	(269)	(55,984)	(5,924)	(10,933)	(101,091)
Written back on disposals	(19)	–	2,062	4,100	1,034	7,177
Exchange adjustment	7,559	–	15,936	793	2,694	26,982
At 31 December 2011	(176,189)	(803)	(374,106)	(32,201)	(82,966)	(666,265)
At 1 January 2012	(176,189)	(803)	(374,106)	(32,201)	(82,966)	(666,265)
Acquisition through business combination (note 43)	(9,876)	–	(1,312)	(1,063)	(6,077)	(18,328)
Charge for the year	(31,154)	(223)	(61,351)	(8,721)	(13,498)	(114,947)
Written back on disposals	11,308	–	–	1,519	3,415	16,242
Exchange adjustment	(1,985)	–	(4,017)	(265)	(679)	(6,946)
At 31 December 2012	**(207,896)**	**(1,026)**	**(440,786)**	**(40,731)**	**(99,805)**	**(790,244)**
Net book value:						
At 31 December 2012	**998,865**	**711**	**482,842**	**25,456**	**67,241**	**1,575,115**
At 31 December 2011	596,853	934	362,895	17,973	41,243	1,019,898

As at 31 December 2012, the Group was in the process of registering the title of buildings with net book value of RMB434,244,000 (2011: RMB78,751,000)

No property, plant and equipment is restricted or pledged as security for liabilities as at 31 December 2012.

14 PROPERTY, PLANT AND EQUIPMENT

(b) The Company

	Office equipment	
	2012	2011
	RMB'000	RMB'000
Cost:		
At 1 January	**–**	1,128
Additions	**–**	113
Disposals	**–**	(1,241)
At 31 December	**–**	–
Accumulated depreciation:		
At 1 January	**–**	(219)
Charge for the year	**–**	(200)
Written back on disposals	**–**	419
At 31 December	**–**	–
Net book value:		
At 31 December	**–**	–

15 CONSTRUCTION IN PROGRESS

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
At 1 January	**274,773**	65,459
Additions	**377,284**	328,142
Transfers to property, plant and equipment	**(464,480)**	(118,834)
Exchange adjustment	**9**	6
At 31 December	**187,586**	274,773

During the year, the group has capitalised borrowing costs amounting to RMB3,573,000 (2011: Nil) on qualifying assets.

16 LEASE PREPAYMENTS

	The Group	
	2012 **RMB'000**	2011 RMB'000 (restated)
Cost:		
At 1 January	**299,393**	230,249
Acquisition through business combination (note 43)	**2,737**	–
Additions	**62,285**	69,144
Disposals	**(8,944)**	–
At 31 December	**355,471**	299,393
Accumulated amortisation:		
At 1 January	**(22,327)**	(16,723)
Acquisition through business combination (note 43)	**(273)**	–
Charge for the year	**(6,480)**	(5,604)
Written back on disposals	**1,882**	–
At 31 December	**(27,198)**	(22,327)
Net book value:		
At 31 December	**328,273**	277,066

Lease prepayments represent payments for land use rights made to the PRC authorities. The Group's land use rights have remaining terms ranging from 35 to 48 years as at 31 December 2012 (2011: 36 to 49 years).

17 INTANGIBLE ASSETS

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Cost:		
At 1 January	**70,033**	72,041
Acquisition through business combination (note 43)	**89,621**	–
Additions	**23,560**	1,716
Exchange adjustment	**2,143**	(3,724)
At 31 December	**185,357**	70,033
Accumulated amortisation:		
At 1 January	**(36,440)**	(29,967)
Charge for the year	**(14,426)**	(8,283)
Exchange adjustment	**(515)**	1,810
At 31 December	**(51,381)**	(36,440)
Net book value:		
At 31 December	**133,976**	33,593

Intangible assets mainly represent technical know-how and brand name attributable to the production of and provision of services for gas equipment and food processing and storage.

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

18 PREPAYMENTS

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Deposit for lease prepayments	**–**	56,362
Prepayment for equity investment		
– Third parties	**–**	33,000
– Related parties (note 39(c))	**–**	28,775
	–	118,137

19 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 **RMB'000**	2011 RMB'000
Unlisted shares, at cost	**4,274,331**	4,273,541

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

19 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Enric Jingmen")	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd ("Hongtu") (i)	PRC 29 October 2004	Registered and paid-in capital of RMB20,000,000	–	80%	Manufacture and sale of specialised transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited (i)	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.	PRC 14 August 2003	Registered and paid-in capital of USD25,000,000	–	100%	Production and sales of 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

19 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
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
CIMC Enric Tank and Process B.V. (formerly known as Holvrieka Holding B.V.)	The Netherlands 16 July 1976	Authorised capital of EUR12,000,000 and paid-in capital of EUR6,038,200	–	100%	Investment holding
Holvrieka Ido B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacturing of tanks
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
CIMC Enric Investment Holdings (Shenzhen) Limited	PRC 10 December 2010	Registered and paid-in capital of USD30,000,000	–	100%	Investment holding
CIMC Enric International Trading Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Trading

19 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
CIMC Enric Tank Container Sales Europe B.V.	The Netherlands 7 March 2011	Authorised capital of EUR90,000 and paid-in capital of EUR18,000	–	100%	Sales of tank containers
Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd ("YPDI")	PRC 15 September 2001	Registered and paid-in capital of RMB30,000,000	–	100%	Provision of project engineering services
Nantong CIMC Transportation & Storage Equipment Co., Ltd.	PRC 20 March 2007	Registered and paid-in capital of USD10,000,000	–	100%	Manufacturing and sales of special vehicles
Ziemann International GmbH	Germany 18 June 2010	Authorised and paid-in capital of EUR16,000,000	–	100%	Sales, engineering and manufacturing of tanks

(i) The Group's effective interests in Hongtu and Zhangjiagang Greenergy Cryogenic Engineering Company Limited are 80% and 90% respectively.

20 GOODWILL

	The Group 2012 RMB'000	The Group 2011 RMB'000 (restated)
Cost		
At 1 January	**42,783**	42,783
Acquisition through business combination (note 43)	**86,558**	–
At 31 December	**129,341**	42,783

20 GOODWILL *(Continued)*

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

Goodwill is allocated to the Group's cash-generating units (CGU) as follows:

	2012 RMB'000	2011 RMB'000 (restated)
Cost		
CIMC Sanctum	**8,297**	8,297
Nantong Tank	**7,265**	7,265
Hongtu	**27,221**	27,221
YPDI	**86,558**	–
At 31 December	**129,341**	42,783

The recoverable amount of the 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 6.55% (2011: 7.05%). One major assumption is annual growth rates in revenue which vary among the CGU. The growth rates are based on the CGU's 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 the CGU's past performance and their expectations for market development. It is estimated that the recoverable amount of each CGU is larger than the carrying amount of the respective goodwill as at 31 December 2012 and 2011. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

21 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2012 RMB'000	2011 RMB'000 (restated)
Available-for-sale equity securities		
– Unlisted	**59**	59
	59	59

22 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2012, 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 2012, the fair value of these forward foreign currency contracts recognised was RMB15,000 (2011: RMB3,041,000).

23 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Raw materials	**724,437**	787,401
Consignment materials	**54,439**	108,405
Work in progress	**666,997**	674,081
Finished goods	**528,422**	507,667
	1,974,295	2,077,554

(b) The analysis of the amount of inventories recognised as an expense and included in income statement is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Carrying amount of inventories sold	**5,296,070**	4,934,152
Write-down of inventories	**3,467**	14,292
Reversal of write-down of inventories	**(1,952)**	(4,883)
	5,297,585	4,943,561

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.

24 TRADE AND BILL RECEIVABLES

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Trade debtors and bill receivables	**1,904,693**	1,411,448
Less: allowance for doubtful debts (note 24(b))	**(63,146)**	(55,496)
	1,841,547	1,355,952

24 TRADE AND BILL RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	The Group	
	2012	2011
	RMB'000	RMB'000 (restated)
Current	**1,484,583**	1,043,326
Less than 1 month past due	**82,773**	81,071
1 to 3 months past due	**53,889**	10,728
More than 3 months but less than12 months past due	**142,376**	145,369
More than 12 months past due	**77,926**	75,458
Amounts past due	**356,964**	312,626
	1,841,547	1,355,952

Trade and bill receivables are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms up 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 41(a).

The carrying amounts of trade and bill receivables approximate their fair values.

(b) Impairment of trade and bill receivables

Impairment losses in respect of trade and bill receivables 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 bill receivables directly (see note 2(l)(ii)).

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

	The Group	
	2012	2011
	RMB'000	RMB'000 (restated)
At 1 January	**55,496**	64,817
Acquisition through business combination (note 43)	**1,022**	–
Impairment loss recognised	**17,447**	15,180
Reversal of provision	**(11,168)**	(15,888)
Uncollectible amounts written off	**(109)**	(6,654)
Exchange adjustment	**458**	(1,959)
At 31 December	**63,146**	55,496

24 TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of trade and bill receivables *(Continued)*

At 31 December 2012, the Group's trade receivables of RMB203,882,000 (2011: RMB178,999,000) were individually determined to be impaired. The individually impaired receivables related to long outstanding receivables and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB63,146,000 (2011: RMB55,496,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade and bill receivables that are not impaired

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

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Neither past due nor impaired	**1,484,583**	1,043,326
Less than 1 month past due	**68,014**	80,314
1 to 3 months past due	**32,421**	10,728
More than 3 months but less than12 months past due	**63,821**	53,084
More than 12 months past due	**51,972**	44,997
	216,228	189,123
	1,700,811	1,232,449

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.

25 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Advances to suppliers	**114,764**	135,116
Deposits for tenders, contract work and equipment purchase	**28,649**	21,600
Staff advances	**12,287**	8,964
Deductible input value-added tax ("VAT")	**24,245**	32,794
Prepayments for services	**8,427**	15,016
Gross amount due from customers for contract work	**265,826**	176,395
Others	**6,772**	44,894
	460,970	434,779

The carrying amount of deposits, other receivables and prepayments approximate their fair values and are expected to be recovered within one year.

26 PROJECT ENGINEERING 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 2012 and 2011 are RMB788,682,000 and RMB251,985,000 respectively.

No gross amount due from/to customers for contract work at 31 December 2012 and 2011 will be recovered after more than one year.

In respect of project engineering 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 2012 and 2011 are RMB26,388,000 and RMB43,004,000 respectively. The amount of retentions is expected to be recovered within one year.

27 CASH AT BANK AND IN HAND

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000 (restated)	**RMB'000**	RMB'000
Cash in hand and demand deposits	**945,475**	976,017	**18,126**	146,873
Restricted bank deposits within three months of maturity	**8,017**	19,063	**–**	–
Bank overdrafts	**(184)**	(2,950)	**–**	–
Cash and cash equivalents	**953,308**	992,130	**18,126**	146,873
Restricted bank deposits with maturity of more than three months	**56,893**	86,940	**–**	–
Add back bank overdrafts	**184**	2,950	**–**	–
	1,010,385	1,082,020	**18,126**	146,873

28 BANK LOANS AND OVERDRAFTS

At 31 December 2012, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000 (restated)	**RMB'000**	RMB'000
Within 1 year or on demand	**263,160**	321,139	**72,977**	48,642
After 1 year but within 2 years	**137,081**	72,963	**121,627**	72,963
After 2 years but within 5 years	**–**	121,605	**–**	121,605
	137,081	194,568	**121,627**	194,568
	400,241	515,707	**194,604**	243,210

28 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31 December 2012, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000 (restated)	**RMB'000**	RMB'000
Unsecured bank overdrafts	**184**	2,950	**–**	–
Bank loans	**400,057**	512,757	**194,604**	243,210
	400,241	515,707	**194,604**	243,210

At 31 December 2012, the Group did not have secured bank overdraft (2011: Nil) and secured bank loan (2011: Nil). The annual rate of interest charged on the bank loans ranged from 2.00% to 6.89% for the year ended 31 December 2012 (2011: 1.96% to 6.89%).

The Group's bank loans of RMB400,057,000 (2011: RMB512,757,000) and the Company's bank loans of RMB194,604,000 (2011:RMB243,210,000) were under the terms of cross-guarantee provided by the subsidiaries of the Company.

All of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 41(b). As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: Nil).

29 TRADE AND BILL PAYABLES

	The Group	
	2012	2011
	RMB'000	RMB'000 (restated)
Trade creditors	**1,153,218**	1,069,776
Bills payable	**198,200**	241,846
	1,351,418	1,311,622

29 TRADE AND BILL PAYABLES *(Continued)*

An ageing analysis of trade and bill payables of the Group is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Due within 3 months or on demand	**1,268,128**	1,243,205
Due after 3 months but within 12 months	**63,256**	60,022
Due after 12 months	**20,034**	8,395
	1,351,418	1,311,622

All the trade and bill payables are expected to be settled within one year.

30 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Advances from customers	**742,407**	764,916
Payables for construction work	**99,898**	15,047
Accrued expenses	**112,237**	108,851
Employees' salary, bonus and welfare	**228,055**	197,254
Other surcharges payable	**16,367**	10,240
Cash consideration payable for acquisition	**21,526**	–
Other taxes payable	**50,195**	19,068
Directors' remuneration	**238**	223
Deposits received	**25,169**	10,308
Others	**33,725**	20,607
	1,329,817	1,146,514

All other payables and accrued expenses are expected to be settled within one year.

31 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 subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company on its exercise price.

(a) The terms and conditions at the date of 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
– on 28 October 2011	3,150,000	40% after two years, 30% after three years and30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 11 November 2009	37,650,000	50% after one year and50% after two years from the date of grant	10 years commencing on the date of grant
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	81,950,000		

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

	2012 Weighted average exercise price	**2012** Number of options	2011 Weighted average exercise price	2011 Number of options
Outstanding at the beginning of the year	**HKD3.26**	**78,700,000**	HKD4.00	41,375,000
Forfeited during the year	**HKD2.48**	**(1,280,000)**	HKD4.00	(350,000)
Granted during the year		**–**	HKD2.48	38,200,000
Exercised during the year	**HKD4.00**	**(5,774,000)**		–
Lapsed during the year	**HKD4.00**	**(100,000)**	HKD4.00	(525,000)
Outstanding at the end of the year	**HKD3.22**	**71,546,000**	HKD3.26	78,700,000
Exercisable at the end of the year		**34,626,000**		40,500,000

The options outstanding at 31 December 2012 had an exercise price of HKD2.48 or HKD4.00 (2011: HKD2.48 or HKD4.00) and a weighted average remaining contractual life of 7.88 years commencing on the grant date (2011: 8.80 years).

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

(c) Fair value of share options and assumptions

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the share options granted are measured based on a binomial lattice model. The contractual lives of the share option are 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

Date granted	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%

Date granted	28 October 2011
Fair value at measurement date	HKD1.02
Share price	HKD2.48
Exercise price	HKD2.48
Expected volatility	55.98%
Option life	10 years
Expected dividends	2.67%
Risk-free interest rate	1.57%

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities 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.

32 PROVISIONS

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
At 1 January 2011 (restated)	44,546	660	45,206
Additional provision made/(reversal)	21,548	(450)	21,098
Provisions utilised	(15,592)	–	(15,592)
Exchange adjustment	(399)	(6)	(405)
At 31 December 2011 (restated)	50,103	204	50,307
At 1 January 2012	**50,103**	**204**	**50,307**
Additional provision made/(reversal)	**35,742**	**(203)**	**35,539**
Provisions utilised	**(17,409)**	**–**	**(17,409)**
Exchange adjustment	**1,802**	**(1)**	**1,801**
At 31 December 2012	**70,238**	**–**	**70,238**

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
Represented by:			
Current portion	20,151	204	20,355
Non-current portion	29,952	–	29,952
Balance at 31 December 2011	50,103	204	50,307
Represented by:			
Current portion	**20,181**	**–**	**20,181**
Non-current portion	**50,057**	**–**	**50,057**
Balance at 31 December 2012	**70,238**	**–**	**70,238**

32 PROVISIONS *(Continued)*

The Group will provide one to three year warranty period for certain products. Provision is therefore made for the best estimate of the expected settlement within the warranty period under this arrangement in respect of sales made prior to the balance sheet date. The amount of provision has taken into account the Group's recent claim experience and is made where a warranty claim is probable.

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.

33 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet:

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Current tax payable at the beginning of the year	**19,803**	22,585
Provision for income tax on profit for the year	**193,123**	153,409
Current tax paid	**(140,718)**	(156,546)
Addition through business combination (note 43)	**2,924**	–
Exchange adjustment	**41**	355
Current tax payable at the end of the year	**75,173**	19,803

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

(b) Deferred tax assets and liabilities recognised:

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

	Impairment losses for inventories and receivables RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Provision for product warranties RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Amortisation of intangible assets RMB'000	Distributable profits of PRC subsidiaries RMB'000	Accrued expenses RMB'000	Movements of fair value of liabilities held for trading RMB'000	Gains on disposal of land and buildings RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Total RMB'000
At 1 January 2011 (restated)	8,949	(51,075)	6,398	(3,764)	(313)	(36,480)	11,944	(108)	1,732	(6,731)	(69,448)
Credited/(charged) to the income statement	810	(479)	1,072	155	–	(8,942)	8,589	(348)	–	5,258	6,115
Exchange adjustment	–	3,733	–	–	–	–	–	–	(125)	(3)	3,605
At 31 December 2011 (restated)	9,759	(47,821)	7,470	(3,609)	(313)	(45,422)	20,533	(456)	1,607	(1,476)	(59,728)
At 1 January 2012	**9,759**	**(47,821)**	**7,470**	**(3,609)**	**(313)**	**(45,422)**	**20,533**	**(456)**	**1,607**	**(1,476)**	**(59,728)**
Credited/(charged) to the income statement	**437**	**5,516**	**2,778**	**151**	**-**	**17,457**	**5,855**	**454**	**60**	**(1,147)**	**31,561**
Acquisition through business combination (note 43)	**-**	**(23,391)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,391)**
Exchange adjustment	**-**	**4,358**	**-**	**-**	**-**	**-**	**-**	**-**	**90**	**(5,629)**	**(1,181)**
At 31 December 2012	**10,196**	**(61,338)**	**10,248**	**(3,458)**	**(313)**	**(27,965)**	**26,388**	**(2)**	**1,757**	**(8,252)**	**(52,739)**

	The Group	
	2012 RMB'000	2011 RMB'000 (restated)
Net deferred tax assets recognised on the consolidated balance sheet	**48,589**	39,369
Net deferred tax liabilities recognised on the consolidated balance sheet	**(101,328)**	(99,097)
	(52,739)	(59,728)

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB24,693,000 (2011: RMB23,032,000) 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 2012, temporary differences relating to undistributed profits of subsidiaries amounted to RMB557,700,000 (2011: RMB340,037,000). Deferred tax liabilities of RMB36,791,000 (2011: RMB20,865,000) 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.

34 DEFERRED INCOME

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
At 1 January	**138,132**	102,334
Received during the year	**129,486**	39,107
Recognised in the income statement	**(23,630)**	(3,309)
At 31 December	**243,988**	138,132

Deferred income mainly represents government grants obtained for the purposes of sponsoring the costs of construction of plants incurred by the Group. The related deferred income was recognised in the income statement over the useful life of the assets to offset the depreciation charge of the relevant assets after the completion.

35 EMPLOYEE BENEFIT LIABILITIES

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

36 CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital RMB'000 36(b)	Share premium RMB'000 36(c)(i)	Contributed surplus RMB'000 36(c)(ii)	Capital reserve RMB'000 36(c)(iii)	Exchange reserve RMB'000 36(c)(iv)	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2011 (restated)	17,235	287,517	4,652,862	46,517	(248,122)	(90,626)	4,665,383
Total comprehensive loss for the year	–	–	–	–	(205,262)	(42,686)	(247,948)
Equity-settled share-based transactions (note 31)	–	–	–	13,681	–	–	13,681
At 31 December 2011 and 1 January 2012	**17,235**	**287,517**	**4,652,862**	**60,198**	**(453,384)**	**(133,312)**	**4,431,116**
2011 final dividend paid	**–**	**(116,881)**	**–**	**–**	**–**	**–**	**(116,881)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**25,789**	**179,507**	**205,296**
Issuance of shares in connection with exercise of share options	**47**	**26,444**	**–**	**(7,705)**	**–**	**–**	**18,786**
Transfer to retained earnings	**–**	**–**	**–**	**(831)**	**–**	**831**	**–**
Equity-settled share-based transactions (note 31)	**–**	**–**	**–**	**11,244**	**–**	**–**	**11,244**
At 31 December 2012	**17,282**	**197,080**	**4,652,862**	**62,906**	**(427,595)**	**47,026**	**4,549,561**

36 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

	2012 Number of shares	2012 RMB'000	2011 Number of shares	2011 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	**1,383,867,522**	**12,918**	857,452,201	8,282
Non-redeemable convertible preference shares	**495,000,000**	**4,364**	1,015,641,321	8,953
At 31 December	**1,878,867,522**	**17,282**	1,873,093,522	17,235

A summary of the above movements in issued share capital of the Company is as follows:

	2012 Number of shares of HKD0.01 each	2012 RMB'000	2011 Number of shares of HKD0.01 each	2011 RMB'000
Ordinary Shares				
At 1st January	**857,452,201**	**8,282**	857,452,201	8,282
Issue of shares upon conversion of convertible preference shares	**520,641,321**	**4,589**	–	–
Exercise of share options (note 31)	**5,774,000**	**47**		
At 31st December	**1,383,867,522**	**12,918**	857,452,201	8,282
Non-redeemable convertible preference shares				
At 1st January	**1,015,641,321**	**8,953**	1,015,641,321	8,953
Conversion to ordinary shares	**(520,641,321)**	**(4,589)**	–	–
At 31st December	**495,000,000**	**4,364**	1,015,641,321	8,953

36 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

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

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

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

36 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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

The contributed surplus of the Group also includes the difference between (a) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the acquisition of certain subsidiaries during the year ended 31 December 2009.

The contributed surplus of the Group also includes the difference between (a) the registered capital of Nantong Transport acquired of RMB69,945,550; and (b) the aggregate cash consideration paid by the Company of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012 which was business combination under common control.

(iii) Capital reserve

Capital reserve comprises the portion of the grant date fair value of unexercised share options granted to directors, employees and other eligible persons of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

(iv) 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 2(x).

(v) 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.

36 CAPITAL AND RESERVES *(Continued)*

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

(vi) Distributable 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 2012, the Company had RMB4,469,373,000 available for distribution to equity shareholders of the Company (2011: RMB4,353,683,000).

(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 bill payables, 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.

Consistent with the Group's capital management strategy in 2011, the Group aims 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.

36 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	2012 RMB'000	2011 RMB'000 (restated)
Current liabilities			
Bank loans and overdrafts	28	**263,160**	321,139
Trade and bill payables	29	**1,351,418**	1,311,622
Other payables and accrued expenses	30	**1,329,817**	1,146,514
Amounts due to related parties	39(c)	**75,395**	63,466
		3,019,790	2,842,741
Non-current liabilities			
Bank loans	28	**137,081**	194,568
Total debt		**3,156,871**	3,037,309
Less: Cash and cash equivalents	27	**(953,308)**	(992,130)
Net debt		**2,203,563**	2,045,179
Total equity		**4,077,839**	3,430,740
Less: Proposed dividends	11	**(106,644)**	(116,881)
Adjusted capital		**3,971,195**	3,313,859
Net debt to adjusted capital ratio		**55%**	62%

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

37 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, employees contributions are subject to a cap of monthly relevant income of HKD25,000. Contributions to the plan vest immediately.

37 RETIREMENT BENEFITS *(Continued)*

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

38 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
		(restated)
Contracted for		
– Production facilities	**90,611**	184,773
– Equity investment	**–**	169,577
	90,611	354,350

At 31 December 2012 and 2011, the Company has no capital commitment.

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		
Within 1 year	**7,275**	3,329	**669**	730
After 1 year but within 5 years	**19,242**	5,813	**–**	638
After 5 years	**7,120**	12,292	**–**	–
	33,637	21,434	**669**	1,368

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.

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with China International Marine Containers (Group) Co., Ltd. ("CIMC") and its subsidiaries and associates

Nature of transactions		The Group Year ended 31 December	
		2012	2011
		RMB'000	RMB'000 (restated)
Sales	(i)	**376,495**	242,515
Purchases	(ii)	**111,905**	217,426
Management charges	(iii)	**2,457**	3,294
Comprehensive charges	(iv)	**2,927**	2,579
Processing charges	(v)	**14,345**	10,900
Processing income	(vi)	**24,722**	21,025
Technology licence income	(vii)	**4,880**	6,754
Office services income	(viii)	**7,723**	10,178
Research and development charges	(ix)	**1,495**	–
Loan from a related party	(x)	**20,000**	–
Loan interest expenses	(x)	**33**	–
Payment for equity investment (notes 18&2(b))		**37,555**	28,775

(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) Processing income mainly represent processing services of welding, heat treatment and testing provided to related parties by the Group.

(vii) Technology licence income mainly represents granting of a non-exclusive licence to related parties to use the know-how and trademarks of the Group in design, manufacturing and sale of tank and related parts.

(viii) Office services income mainly represents provision of office services including staff catering, transportation services, site leasing and general office services to related parties.

(ix) Research and development charges mainly represent design and testing services for new products provided to the Group by related parties.

(x) The loan is unsecured, interest-bearing at 5.646% per annum and is repayable within one year.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

39 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8, certain highest paid employees as disclosed in note 9 and other key management personnel is as follows:

	2012 **RMB'000**	2011 RMB'000 (restated)
Short-term employee benefits	**15,602**	13,070
Equity compensation benefits	**2,382**	3,686
	17,984	16,756

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

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

	The Group	
	2012 **RMB'000**	2011 RMB'000 (restated)
Trade receivables for products sold	**37,031**	18,027
Prepayment for equity investment (notes (18))	**–**	28,775
Trade payables for raw material purchased and receipts in advance for sales	**(55,362)**	(63,466)
Loan from a related party	**(20,033)**	–

Notes:

(i) Except for the borrowing, the outstanding balances with these related parties are unsecured, interest free and repayable on demand. The borrowing is unsecured, interest bearing at 5.646% per annum and is repayable within a year.

(ii) No provisions for bad or doubtful debts have been made in respect of these outstanding receivable balances.

40 AMOUNTS DUE FROM/TO SUBSIDIARIES

At 31 December 2012, amounts due from subsidiaries of the Company represent cash advances to Enric Investment Group Limited, CIMC Enric Hong Kong Limited, and CIMC Enric Investment Holdings (Shenzhen) Limited. At 31 December 2012, amounts due to subsidiaries represent cash advances from Sound Winner Holdings Limited, and Full Medal Limited. These amounts are unsecured, interest-free and repayable on demand.

At 31 December 2011, amounts due from subsidiaries of the Company represent cash advances to Enric Investment Group Limited, CIMC Enric Hong Kong Limited and CIMC Enric Investment Holdings (Shenzhen) Limited. At 31 December 2011, amounts due to subsidiaries of the Company represent cash advances from Sound Winner Holdings Limited and CIMC Enric Investment Holdings (Shenzhen) Limited. These amounts are unsecured, interest-free and repayable on demand.

41 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 bill receivables and bank balances. 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 bill receivables, 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. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 3.17% (2011: 5.07%) and 6.12% (2011: 17.08%) of the total trade and bill receivables are due from the Group's largest customer and the five largest customers respectively.

In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. 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 bill receivables are set out in note 24.

(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.

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

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company'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	**2012**				2011			
	Contractual undiscounted cash flow				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 (restated)	1 to 5 years RMB'000 (restated)	Total RMB'000 (restated)	Carrying amount RMB'000 (restated)
Bank loans and overdrafts	**276,766**	**141,270**	**418,036**	**400,241**	334,612	200,191	534,803	515,707
Bill payables, creditors and accrued expenses	**2,681,235**	**–**	**2,681,235**	**2,681,235**	2,458,136	–	2,458,136	2,458,136
Amounts due to related parties	**76,524**	**–**	**76,524**	**75,395**	63,466	–	63,466	63,466
	3,034,525	**141,270**	**3,175,795**	**3,156,871**	2,856,214	200,191	3,056,405	3,037,309

The Company	**2012**				2011			
	Contractual undiscounted cash flow				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 (restated)	1 to 5 years RMB'000 (restated)	Total RMB'000 (restated)	Carrying amount RMB'000 (restated)
Bank loans	**74,873**	**124,788**	**199,661**	**194,604**	50,048	200,191	250,239	243,210
Other creditors and accrued expenses	**2,177**	**–**	**2,177**	**2,177**	4,114	–	4,114	4,114
Amounts due to subsidiaries	**69,834**	**–**	**69,834**	**69,834**	32,676	–	32,676	32,676
	146,884	**124,788**	**271,672**	**266,615**	86,838	200,191	287,029	280,000

41 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	**2012**		2011	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000 (restated)
Floating rate bank deposits	**1.72%**	**947,080**	2.03%	923,395
Bank loans	**4.45%**	**(400,057)**	3.60%	(512,757)
Bank overdrafts	**4.14%**	**(184)**	4.14%	(2,950)

The Company	**2012**		2011	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000 (restated)
Floating rate bank deposits	**0.02%**	**18,126**	0.13%	146,873

(ii) Sensitivity analysis

At 31 December 2012, 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 RMB2,051,000 (2011: RMB1,581,000). 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, and bank loans and overdrafts 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 assuming that such a change in interest rates had occurred at the balance sheet date. The analysis is performed on the same basis for 2011.

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

(d) Currency risk

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

(i) ***Forecast transactions***

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

(ii) ***Recognised assets and liabilities***

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

The Group's borrowings are denominated in Renminbi, United States dollars, Hong Kong dollars and Danish Krone ("DKK"). The period of these borrowings are generally within 12 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 recognised assets or liabilities denominated in a currency other than the functional 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 2012					
	RMB RMB'000	**USD** RMB'000	**HKD** RMB'000	**Euro** RMB'000	**GBP** RMB'000	**DKK** RMB'000
Trade and bill receivables	–	328,980	–	7,929	–	381
Deposits, other receivables and prepayments	20	5,915	278	3,114	–	–
Cash and cash equivalents	2,922	131,422	26,842	19,877	218	4,241
Advance from customers	–	(67,464)	–	(1,098)	–	(142)
Trade and bill payables	–	(25,975)	–	(11,117)	(50,773)	(10,142)
Other payables and accrued expenses	–	(119,527)	–	(3,135)	–	–
Bank loans	–	–	–	–	–	(184)
Overall net exposure	2,942	253,351	27,120	15,570	(50,555)	(5,846)

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

(d) Currency risk *(Continued)*

(iii) Exposure to currency risk (Continued)

The Group	Exposure to foreign currencies					
	2011					
	RMB	USD	HKD	Euro	GBP	DKK
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bill receivables	–	338,228	–	72,941	–	475
Deposits, other receivables and prepayments	20	21,558	–	12,676	–	–
Cash and cash equivalents	1,429	233,530	58,662	43,404	–	–
Advance from customers	–	(150,716)	–	–	–	(459)
Trade and bill payables	–	(101,428)	–	(1,763)	–	(18,266)
Other payables and accrued expenses	(2,700)	(105,605)	–	(2,421)	–	–
Bank loans	–	(130,181)	–	–	–	(398)
Overall net exposure	(1,251)	105,386	58,662	124,837	–	(18,648)

The Company	**Exposure to foreign currencies**					
	2012			2011		
	RMB	**USD**	**Euro**	RMB	USD	Euro
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**2,922**	**–**	**–**	1,429	8,327	8,414
Deposits, other receivables and prepayments	**20**	**–**	**–**	20	–	–
Other payables and accrued expenses	**–**	**–**	**–**	(2,700)	–	–
Overall net exposure	**2,942**	**–**	**–**	(1,251)	8,327	8,414

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

(d) Currency risk *(Continued)*

(iv) Sensitivity analysis

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

The Group	2012		2011	
	Increase/ (decrease) in foreign exchange %	Effect on profit after tax and retained RMB'000	Increase/ (decrease) in foreign exchange %	Effect on profit after tax and retained RMB'000
RMB	5%	110	5%	43
	(5%)	(110)	(5%)	(43)
USD	5%	9,501	4%	3,464
	(5%)	(9,501)	(4%)	(3,464)
HKD	5%	1,017	4%	1,920
	(5%)	(1,017)	(4%)	(1,920)
Euro	5%	584	7%	6,763
	(5%)	(584)	(7%)	(6,763)
GBP	5%	1,896	7%	6,763
	(5%)	(1,896)	(7%)	(6,763)
DKK	5%	219	7%	959
	(5%)	(219)	(7%)	(959)

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 retained profits) measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2011.

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

(e) Fair value

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2012	**The Group**			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Derivative financial instruments:				
– Forward exchange contracts	**–**	**15**	**–**	**15**
	–	**15**	**–**	**15**

2011	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	3,041	–	3,041
	–	3,041	–	3,041

During the years ended 31 December 2012 and 2011, there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

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

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Interest rates used for determining fair value

The Group uses the relevant government yield curve as of 31 December 2012 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2012	2011
Loans and borrowings	**2.00% – 6.89%**	1.96% – 6.89%

42 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, the Directors consider the immediate 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 2012, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

43 BUSINESS COMBINATION

(a) On 1 January 2012, the Group acquired 100% of the issued shares in YPDI, a company that is principally engaged in consultancy, planning, design, service, procurement and contracting for petrochemical projects; pressure vessels and pressure piping design; computer software development and utilisation, for cash consideration of RMB165,000,000 from third parties.

The acquisition is expected to enhance engineering service capability and enable the Group to expand into the upstream customer network.

Goodwill of RMB86,558,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in design and project engineering market. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

(b) On 17 August 2012, the Group acquired from a third-party certain assets of Ziemann Group ("Ziemann") for an aggregate consideration of EUR25,613,000 (equivalent to approximately RMB208,590,000).

Ziemann Group was one of the world's leading turnkey solution providers in brewing with long business history and provided comprehensive equipment and services to breweries, with sales offices in the United States of America, Thailand, Australia and South Africa and whose customers covered substantially all of the world's largest brewers. Ziemann Group is principally located in Germany.

The Group expected that the acquisition will facilitate the development of the Group's capability for providing comprehensive turnkey solutions to its customers and enhance the Group's competitive advantages in the liquid food equipment business. It is also expected that the Group's liquid food equipment arm will benefit from the acquisitions in terms of enhancement of brand name, marketing network, manufacturing technologies, process automation and project references. The acquisition will also complement the Group with capabilities to expand its presence in the liquid food equipment market both in Europe and internationally.

Negative goodwill of RMB25,016,000 arisen from the above business combination represents gain from bargain purchase of distressed assets as Ziemann Group was in the process of liquidation. It is included in the consolidated income statement as "other net income" for the year ended 31 December 2012.

(c) The following table summarises the considerations paid and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition dates.

	YPDI	**Ziemann**	**Total**
	RMB'000	RMB'000	RMB'000
	(a)	(b)	
Purchase consideration			
– Prepayment	33,000	–	33,000
– Cash paid	110,474	208,590	319,064
– Payable	21,526	–	21,526
Total purchase consideration	165,000	208,590	373,590

43 BUSINESS COMBINATION *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value		
	YPDI	**Ziemann**	**Total**
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	54,287	–	54,287
Property, plant and equipment	17,477	132,473	149,950
Intangible assets	31,799	57,822	89,621
Inventories	12,409	24,198	36,607
Lease prepayments	2,464	–	2,464
Trade and bills receivables	29,283	69,568	98,851
Other receivables deposits and prepayments	14,188	154,923	169,111
Trade and bills payables	(35,774)	–	(35,774)
Other payable and accrued expense	(36,817)	(189,937)	(226,754)
Income tax payable	(2,924)	–	(2,924)
Deferred tax liabilities	(7,950)	(15,441)	(23,391)
Total identifiable net assets	78,442	233,606	312,048
Goodwill (note 20)	86,558	–	86,558
Gain from bargain purchase	–	(25,016)	(25,016)
	165,000	208,590	373,590
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2012)	49	2,665	2,714

	RMB'000	RMB'000	RMB'000
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	110,474	208,590	319,064
– cash and cash equivalents in subsidiary acquired	(54,287)	–	(54,287)
Cash outflow on acquisition	56,187	208,590	264,777

44 ACQUISITION OF NON-CONTROLLING INTERESTS

A subsidiary, namely Jingmen Hongtu Machinery Manufacturing Company Limited ("Hongtu Machinery") was deregistered from Jingmen Administration for Industry & Commerce on 30 December 2011 and whose equity interest was owned as to 60% by Hongtu, at the date of deregistration. After the winding up, the total assets of RMB3,329,000 of Hongtu Machinery were distributed to Hongtu and non-controlling shareholders according to the proportion of their equity interests in Hongtu Machinery as at the date of deregistration. Hongtu then purchased the assets distributed to the non-controlling interests at a consideration of RMB3,600,000 in cash. The Group recognised the transaction as the acquisition of non-controlling interests.

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
Amendments to HKFRSs 10, 11 and 12 on transition guidance	1 January 2013
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosures of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
HKAS 28, Investments in associates and joint ventures (2011)	1 January 2013
Annual Improvements to HKFRSs 2009 – 2011 Cycle	1 January 2013
Amendments to HKFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position except for disclosure.

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

Tsui Kei Pang*
Jin Jianlong
Zhang Xueqian

Nomination Committee

Zhao Qingsheng*
Wong Chun Ho
Zhang Xueqian

** chairman of the relevant Board committees*

Authorised Representatives

Zhao Qingsheng
Cheong Siu Fai

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
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Central
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Legal Advisor

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

Principal Bankers

Agricultural Bank of China
Bank of Communications
Bank of China
China Construction Bank

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company (Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

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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 Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Charm Wise"	Charm Wise Limited
"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 and the Main Board of the Hong Kong Stock Exchange
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"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 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
"Group"	the Company and its subsidiaries
"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

Glossary

"Mr. van der Burg"	Mr. Petrus Gerardus Maria van der Burg
"Nantong Tank"	南通中集罐式儲運設備製造有限公司 Nantong CIMC Tank Equipment Co., Ltd.
"Nantong Transport"	南通中集交通儲運裝備製造有限公司 Nantong CIMC Transportation & Storage 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
"YPDI"	南京揚子石油化工設計工程有限責任公司 Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd.

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