

CIMC ENRIC

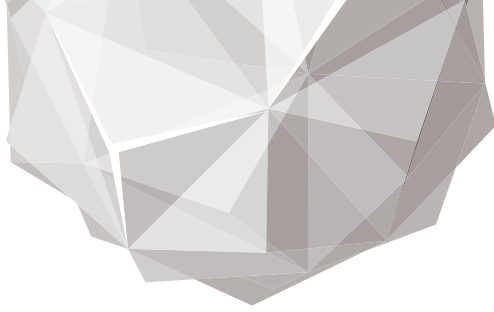
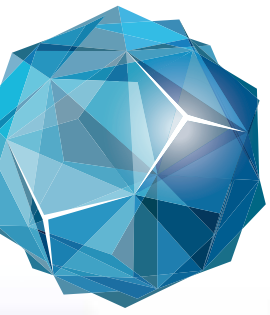
CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3899

Annual Report 2013

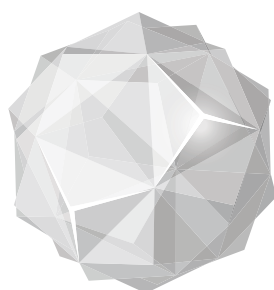




To be a world-leading manufacturer of specialised equipment and provider of related project engineering services in **energy, chemical** and **liquid food** industries.

Contents

2	Chairman's Statement
5	Financial Summary
6	Financial Highlights
7	Management Discussion and Analysis
20	Directors and Senior Management
23	Corporate Governance Report
37	Directors' Report
49	Independent Auditor's Report
50	Consolidated Income Statement
51	Consolidated Statement of Comprehensive Income
52	Consolidated Balance Sheet
54	Balance Sheet
55	Consolidated Statement of Changes in Equity
56	Consolidated Cash Flow Statement
58	Notes to the Financial Statements
127	Corporate Information
128	Glossary



Chairman's Statement



The Group achieved healthy growth and developed rapidly in 2013. Turnover rose by 23.5% to RMB9,981.5 million; and profit attributable to equity shareholders lifted 28.0% to RMB972.5 million.

The proposed final dividend in respect of 2013 is HKD0.12 per ordinary share.

Following the acquisitions of the chemical and liquid food equipment businesses in 2009, we have extended to a manufacturer of specialised equipment and provider for related project engineering services in energy, chemical and liquid food industries. All the three businesses achieved healthy growth and developed rapidly in 2013, and we experienced sustainable growth in turnover and net profit attributable to equity shareholders over the past four years.

Despite no acquisitions were made during 2013, we have implemented a wide range of strategies to strengthen our core competitiveness, comprising increase in production capacity, technological advancement on existing products as well as enhancement of research and development ("R&D") of new products. In particular, our new plants in China have come into

operation gradually and further supported the our production capabilities of existing products, together with the R&D of new product lines.

On the basis of continued organic growth, we have been proactively seeking new business and acquisition opportunities to further enhance our business portfolio and production capacity, under our five-year strategic development plan formulated in 2013.

Since last year, we have stepped up our effort and dedicated resources to explore the business of "EPC" or engineering, procurement and construction contracts, to enable us to provide integrated solutions to our customers, and as one of the long-term strategies to increase our operational scale and strengthen our market position.

Chairman's Statement

Meanwhile, we focused on integrating our business and operational structures with the assets acquired in 2012 from Ziemann Group, one of the world's leading turnkey solution providers in brewing, and making use of the acquired resources in terms of brand name, market network, manufacturing technologies, process automation and project reference for complementing our development.

In addition to offering well-developed products and services, we believe a well-recognised organisation will provide a solid foundation for attaining further business growth, broadening investor base and ultimately creating value to shareholders. We have been honoured with the following recognitions:

- Since early March 2013, CIMC Enric has been included as a constituent of Hang Seng Global Composite Index and Hang Seng Composite Index Series;
- In July 2013, as released by Fortune China magazine, CIMC Enric ranked 450 in the list of China's Fortune 500 companies;
- In November 2013, CIMC Enric was awarded "Top 10 – Stock Price Gainer" in the Top 100 Hong Kong Listed Companies Selection Event for 2013, which was hosted by Finet Group Limited and Tencent QQ.com, and jointly organised by Hong Kong Economic Journal; and
- In early March 2014, CIMC Enric was selected as a constituent of FTSE Hong Kong Index and FTSE Hong Kong ex H Share Index with effect from 24 March 2014.

On behalf of the Board of Directors, I am pleased to present to you our financial results of 2013 as below.

Results of the Year

Net profit attributable to equity shareholders for the year rose by 28.0% to RMB972,521,000 (2012: RMB759,863,000). Basic earnings per share was RMB0.516 (2012: RMB0.405) and diluted earnings per share was RMB0.504 (2012: RMB0.401).

Turnover rose by 23.5% to RMB9,981,462,000 (2012: RMB8,082,895,000). Our largest segment – the energy equipment segment – continued its stable growth with turnover rising by 25.8% to RMB5,371,550,000 (2012: RMB4,268,442,000). The steadily recovering global economy helped chemical equipment segment to record a modest growth of 8.7% rising to RMB3,093,578,000 (2012: RMB2,845,992,000). The liquid food equipment segment's turnover increased by 56.6% to RMB1,516,334,000 (2012: RMB968,461,000) due to an improved business environment and acquisition of certain assets from Ziemann Group in the second half of 2012.

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 2013.

The Board is pleased to propose a final dividend in respect of 2013 of HKD0.12 (2012: HKD0.07) per ordinary share, subject to the approval of shareholders in the forthcoming annual general meeting to be held on Tuesday, 20 May 2014.

Future Plan and Strategies

Global activity and international trade picked up in the second half of 2013, and the world output grew by 3.0% year-on-year in 2013, according to the International Monetary Fund (IMF). China outshone other countries and recorded a 7.7% growth in GDP in 2013. Although the world economy has been undergoing a gradual recovery, yet the recovery will continue to face uncertainties. It is expected that in 2014, China will deepen its financial reforms and will begin a series of growth-enhancing structural reforms. For 2014, IMF projected the GDP growth of China to be 7.5%, while the global growth to be 3.7%.

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.

China consumed approximately 169.2 billion cubic metres ("bcm") of natural gas in 2013, representing a 12.9% year-on-year increment. China has also reported a surge of 25.6% year-on-year in natural gas import to approximately 53.4 bcm, in which LNG import saw a growth of 27.0%. During 2013, the State Council of China announced a series of new measures to support the growth of environmental and energy conservation sectors. 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. Furthermore, due to the concern for air pollution, cost saving and the promotion of natural gas as vehicle fuel by China's oil and gas enterprises, the demand for natural gas application equipment, such as on-vehicle LNG fuel tanks have been stimulated. We are also well prepared for the potential huge demand for LNG equipment for LNG vessels. Probably, the development of LNG vessels in China may provide the next growth driver for LNG equipment manufacturers like CIMC Enric.

Chairman's Statement

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 further enhance our production capacity mindfully for coping with the industry's future development.

As one of the key objectives of our five-year strategic development plan, 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. Our R&D team will play a vital role in achieving the above, not only through optimising product design of existing products but also launching new products with advanced technology.

Developing our own ability to offer turnkey engineering services 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 is still 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.

Expansion of overseas market has been our long term development strategy. We will monitor continuously the market trend in Russia and USA, and translate the new market opportunities into business returns in the foreseeable future.

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

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 working capital by tightening inventory level and trade receivables.

In order to support the sustainable robust growth of the Group, we will continue to implement various measures to optimise our asset and liability structure. In pursuit of organic growth, we will focus on operating results to generate positive operating cash flow. We will expand capacity in an orderly manner and match with suitable funding sources.

Last but not least, we will continue our acquisition strategy and consider expansion opportunities if they are a good strategic fit and available at a right price. We will maintain sufficient liquidity to safeguard future business expansions.

Appreciation

On behalf of the Board, I would like to take this opportunity to express our appreciation to the shareholders, customers, suppliers and business partners for their trust and support and thanks to the management 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. The Group is well prepared to cope with the challenges ahead, grasp business opportunities and bring long-term returns to shareholders.

Zhao Qingsheng

Chairman

Hong Kong, 19 March 2014

Financial Summary

For the year ended 31 December

	2013 RMB'000	2012 RMB'000	2011 RMB'000 (restated)	2010 RMB'000	2009 RMB'000
Turnover	<u>9,981,462</u>	<u>8,082,895</u>	<u>6,828,964</u>	<u>3,998,617</u>	<u>3,057,466</u>
Profit from operations	<u>1,202,748</u>	<u>946,003</u>	<u>738,799</u>	<u>377,698</u>	<u>274,887</u>
Finance costs	<u>(19,766)</u>	<u>(18,865)</u>	<u>(12,465)</u>	<u>(11,697)</u>	<u>(40,242)</u>
Profit before taxation	<u>1,182,982</u>	<u>927,138</u>	<u>726,334</u>	<u>366,001</u>	<u>234,645</u>
Income tax	<u>(202,316)</u>	<u>(161,562)</u>	<u>(147,294)</u>	<u>(83,589)</u>	<u>(34,124)</u>
Profit for the year	<u>980,666</u>	<u>765,576</u>	<u>579,040</u>	<u>282,412</u>	<u>200,521</u>
Attributable to:					
Equity shareholders of the Company	<u>972,521</u>	<u>759,863</u>	<u>571,509</u>	<u>276,901</u>	<u>199,731</u>
Minority interests	<u>8,145</u>	<u>5,713</u>	<u>7,531</u>	<u>5,511</u>	<u>790</u>
Profit for the year	<u>980,666</u>	<u>765,576</u>	<u>579,040</u>	<u>282,412</u>	<u>200,521</u>
Earnings per share					
– basic	<u>RMB0.516</u>	<u>RMB0.405</u>	<u>RMB0.305</u>	<u>RMB0.148</u>	<u>RMB0.107</u>
– diluted	<u>RMB0.504</u>	<u>RMB0.401</u>	<u>RMB0.305</u>	<u>RMB0.148</u>	<u>RMB0.107</u>

As at 31 December

	2013 RMB'000	2012 RMB'000	2011 RMB'000 (restated)	2010 RMB'000	2,009 RMB'000
Total assets	<u>9,560,178</u>	<u>7,727,181</u>	<u>6,777,051</u>	<u>4,848,476</u>	<u>4,296,521</u>
Total liabilities	<u>(4,551,508)</u>	<u>(3,649,342)</u>	<u>(3,346,311)</u>	<u>(2,033,833)</u>	<u>(1,721,029)</u>
Net assets	<u>5,008,670</u>	<u>4,077,839</u>	<u>3,430,740</u>	<u>2,814,643</u>	<u>2,575,492</u>

Financial Highlights

As at 31 December

	2013 RMB'000	2012 RMB'000	+/-
FINANCIAL POSITION			
Total assets	9,560,178	7,727,182	+23.7%
Net assets	5,008,670	4,077,839	+22.8%
Net current assets	2,978,641	2,209,031	+34.8%
Cash balances	1,662,128	1,010,385	64.5%
Bank loans and overdrafts	170,873	400,241	-57.3%
Gearing ratio ⁽¹⁾	3.4%	9.8%	-6.4 ppt

For the year ended 31 December

	2013 RMB'000	2012 RMB'000	+/-
OPERATING RESULTS			
Turnover	9,981,462	8,082,895	+23.5%
Gross profit	2,025,033	1,578,240	+28.3%
EBITDA	1,374,308	1,079,721	+27.3%
Profits from operations	1,202,748	946,003	+27.1%
Profit attributable to equity shareholders	972,521	759,863	+28.0%
PER SHARE DATA			
Earnings per share – basic	RMB0.516	RMB0.405	+27.4%
Earnings per share – diluted	RMB0.504	RMB0.401	+25.7%
Net asset value per share	RMB2.649	RMB2.170	+22.1%
KEY STATISTICS			
GP ratio	20.3%	19.5%	+0.8 ppt
EBITDA margin	13.8%	13.4%	+0.4 ppt
Operating profit margin	12.0%	11.6%	+0.4 ppt
Net profit margin ⁽²⁾	9.7%	9.4%	+0.3 ppt
Return on equity ⁽³⁾	21.5%	20.4%	+1.1 ppt
Interest coverage – times	73.7	56.4	17.3
Inventory turnover days	100	114	-14
Debtor turnover days	75	72	+3
Creditor turnover days	73	75	-2

Notes:

- Gearing ratio = Bank loans and overdrafts/Total equity
- Net profit margin = Profit attributable to equity shareholders/Turnover
- Return on equity = Profit attributable to equity shareholders/Average shareholders' equity

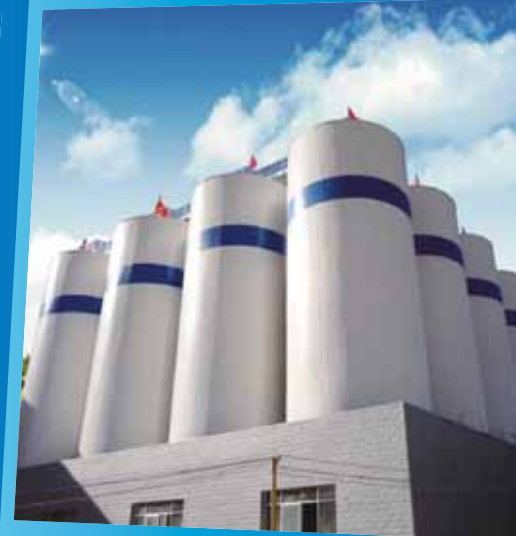
Management Discussion and Analysis



Energy



Chemical



Liquid Food

The long-term outlook of the energy, chemical and liquid food industries remain broadly positive. The Group is well-prepared for the future demands and development of the industries.

Industry Overview

The overall global economy picked up momentum in the second half of 2013 and the world output reported an increase of 3.0% in the year. The quantitative easing policy launched by the United States has played a lead role in driving its economic growth during the year. At the meantime, the Euro area has been experiencing healthy economic recovery. China's economy once again outshone other countries and recorded a 7.7% growth in GDP in 2013.

Looking ahead to 2014, 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

The global primary energy consumption grew at slower pace in 2012 and recorded an increase by 1.8% from 2011, according to June 2013's BP Statistical Review of World Energy. Being the world's most populous country with a fast-growing economy, China accounted for 21.9% share of global energy consumption and again the largest share in the world, with a steady growth of energy consumption by 7.4% in 2012.

With an increasing awareness of using clean energy, the world's natural gas consumption grew by 2.2% in 2012. As announced by the Chinese government in January 2014, China consumed approximately 169.2 billion cubic metres ("bcm") of natural gas in 2013, representing a 12.9% year-on-year increment. The National Energy Administration of China targeted to lift the country's natural gas consumption to 193.0 bcm in 2014, a rise of more than 14% year-on-year. It represents an expectation that China's natural gas consumption will continue its fast growth in 2014.

Management Discussion and Analysis

Although natural gas use is rapidly increasing in China, the fuel comprised only less than 5% of the country's total primary energy consumption in 2012, in contrast with the world's average of approximately 24%. 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.

China continues to invest in natural gas pipeline infrastructure to link production areas and demand areas and to accommodate greater natural gas import. Following the Second West-East Gas Pipeline, the Third Shan-Jing Gas Pipeline, the Sino-Burma Oil-and-Gas Pipeline and the Qinhuangdao-Shenyang pipeline which have come into operation in recent years, more gas pipelines such as the Third West-East Gas Pipeline, the Jingzhou-Shishou pipeline, the Boai-Zhengzhou-Xuedian pipeline, the Lanzhou-Dingxi pipeline and the Luoyuan-Fudin pipeline are under construction.

After the LNG terminals in Ningbo, Zhuhai and Caofeidian started running in recent years, there are several LNG terminals under construction, such as in Yuedong, Shandong and Hainan. More natural gas infrastructure such as LNG satellite stations, LNG refueling stations, liquefaction plants and natural gas depots will also be built in China.

Imports can greatly supplement domestic gas production to meet thriving demand for natural gas in China. The country is rapidly raising gas imports and its natural gas import reported a surge of 25.6% year-on-year to approximately 53.4 bcm in 2013, in which LNG import saw a growth of 27.0%. Oil and gas giants in China have entered into agreements for LNG imports from several gas producing countries to maintain the stability of gas supply for the coming years.

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 prices. Again, this reflects the government's commitment to maintain a steady gas supply in the face of accelerating domestic consumption.



CNG refueling station system



LNG trailer



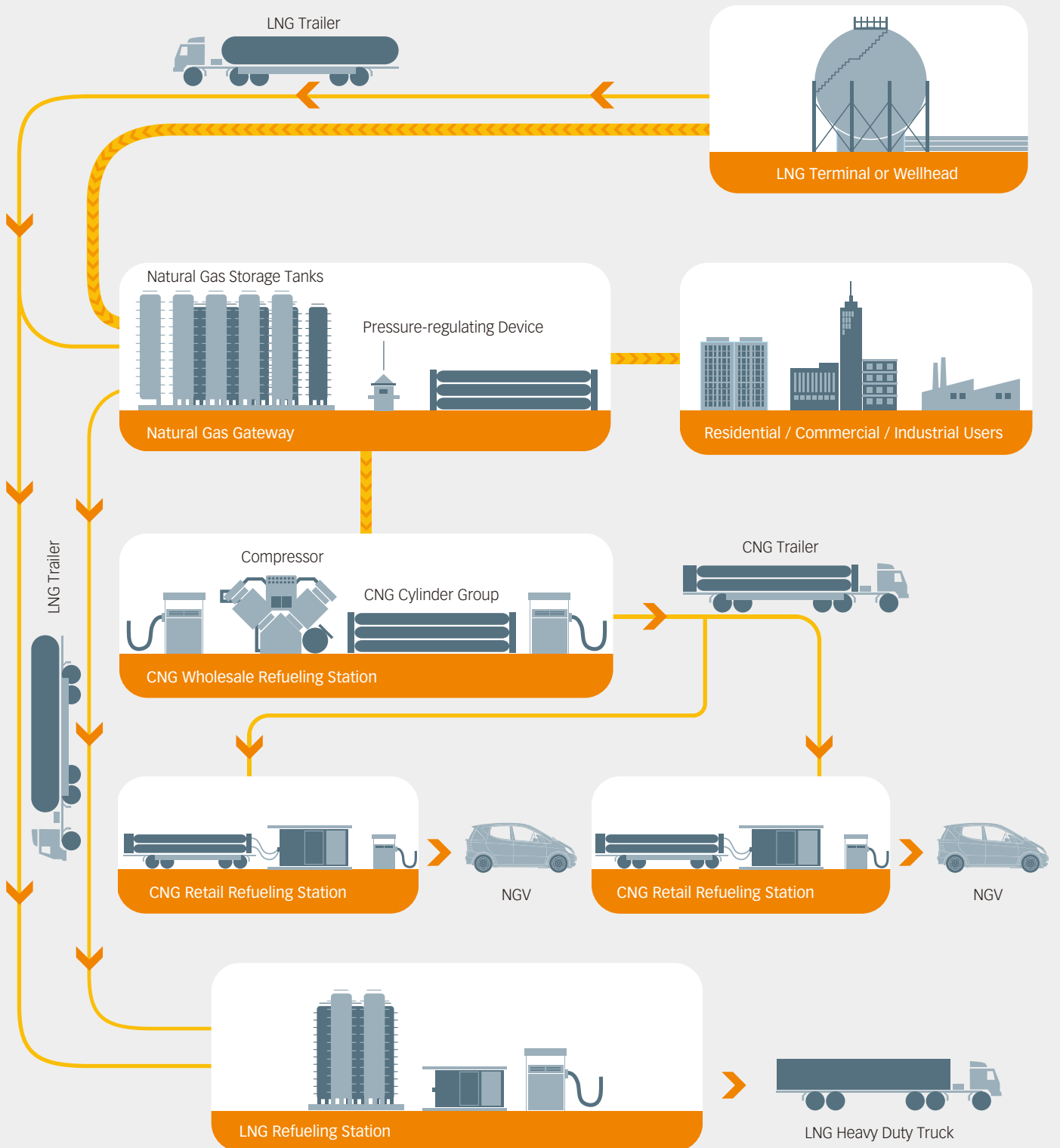
CNG trailer



LPG trailer

Management Discussion and Analysis

Natural Gas Transportation, Storage and Distribution



Management Discussion and Analysis

As a notable event of the natural gas industry in 2013, the Chinese government announced a nationwide reform of the natural gas pricing mechanism with effect from 10 July 2013, under which the average natural gas city-gate price (i.e. the wholesale price) to non-residential users will rise by 15.4%. Inevitably, the higher natural gas price will slow down demand for gas and hit the market stability in the short run. But in the long run, China's natural gas imports will likely be boosted with an increase in the market competitiveness following the reform, and the unconventional gas market such as shale gas, coal seam gas and coke gas will also benefit from the reform, which in turn offers good business opportunity for natural gas equipment.

LNG stored to slake 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 capacity to 1.5 bcm by 2015. This reflects a high growth potential for the LNG storage and transportation equipment market.

Apart from 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 the country's energy thirst. The Chinese government announced the country's first policy for the shale gas industry in October 2013 in order to increase financial support for shale gas exploration and extraction, such as providing subsidies and tax reduction for shale gas producers. 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 reach 30 bcm. 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 to drillers that lack technologies and experience. In recent years, certain deals have been made between the top Chinese 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 experience in producing unconventional gas.

Under the Chinese government's emphasis on pollution control on transportation-related emissions as well as the economic attractiveness of natural gas relative to diesel/gasoline, natural gas has for years been heavily promoted for use in vehicles ("NGVs") and the government has been pushing hard to implement oil-to-gas substitution in transportation fuel, especially for trucks, buses and coaches. On 31 October 2012, the country announced a 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, that will provide market growth 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 2013, China consumed approximately 26.7 million tons of LPG, representing an increase of 6.2% from 2012. However, the competition in China's LPG equipment market is getting fiercer, this stimulates the market players to further enhance the quality of their products and services.

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

Management Discussion and Analysis

Chemical

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

The world output saw a modest growth in recent years 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 strategic development. According to statistics released by the European Chemical Industry Council in February 2014, global chemicals sales went up in 2012 by 12.8% compared with 2011, in which China accounted for approximately 57.0% of additional global chemicals sales and the country's chemicals sales grew by 27.1% year-on-year. It is also reported that China reached 30.5% of world chemicals sales market share in 2012.

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. The state-owned chemical majors in China can enjoy the availability of vast amounts of government funding and a national policy of self-sufficiency in chemicals.

Tank containers are designed as safe and efficient intermodal transportation equipment that can be used for transporting a wide range of chemicals. Based on the research by the International Tank Container Organization (ITCO) published in May 2013, it is estimated that approximately 338,200 tank containers were presently in operation worldwide, in which approximately 39,700 tank containers were produced in 2012, with a similar number predicted for 2013. ITCO commented that tank container industry is exhibiting year-by-year growth and stable asset values. It is clear that tank containers are increasingly being selected by shippers of bulk liquids, powders and gases. According to the statistics compiled by the president of Atco Asia, the estimated number of ISO tank containers manufactured by China in 2013 was 29,000, representing an increase of approximately 18.4% from 24,500 in 2012. It is believed that tank containers have lots of growth potential for liquid distribution in the fast growing Asian market, in which China contributes the largest amount of tank containers produced.



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 cargoes, 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.

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.

Management Discussion and Analysis

As China seeks to broaden its use of natural gas, the country's demand for LNG is growing. To expand the LNG supply chain in China, LNG tank containers have been newly developed as a solution for intermodal transport of LNG, from rail/road transport to marine transport. This shows the growing role for intermodal tank containers in China's LNG industry.

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. Significant 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. The need for the transportation of asphalt produced in petrochemical plants in Russia and the Middle East 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.

In recent years, the liquid food industry has been growing fast in developing countries like China, 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 53.7% by 2013. 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 this 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 reach 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 major international 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 continuously.

As for the liquid food industry in developed countries, it also shows positive business opportunities. Eyeing on steadily improving economic conditions in the United States, some giant corporate breweries have unveiled their expansion plans in North and Central America, where large-scale beer production lines will be built. Meanwhile, the growing economic activity in Russia also brings a bright future for the liquid food industry.

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

Management Discussion and Analysis

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 names "Holvrieka" and "Ziemann".

Operational performance

The energy equipment segment continued to be the dominant segment of the Group with revenue rose by 25.8% to RMB5,371,550,000 (2012: RMB4,268,442,000) and accounted for 53.8% (2012: 52.8%) of the Group's total turnover. LNG equipment was the main revenue contributor of this segment.

The chemical equipment segment recorded a turnover of RMB3,093,578,000 (2012: RMB2,845,992,000) representing a modest growth of 8.7% on the back of a gradually recovering global economy. The segment made up 31.0% of the Group's total turnover (2012: 35.2%).

The liquid food equipment segment has outshone the other two segments again by posting a growth of 56.6% to RMB1,516,334,000 during the year (2012: RMB968,461,000) and accounted for 15.2% of the Group's total turnover (2012: 12.0%).

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. Interactive knowledge exchange and development among the business arms have enabled effective sharing of R&D achievements within the Group.

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 coordination of R&D on turnkey engineering projects as well as product design.

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

Management Discussion and Analysis

The Group also pays much effort to optimise product design. To save transportation costs and enhance our profitability, the Group has focused on developing modular, lightweight and intelligent 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, reducing production cost and ensuring the product quality.

In response to market development and needs, the Group devoted RMB145,052,000 (2012: RMB103,381,000) to the R&D of new products and manufacturing technologies in 2013.

Regarding product development during the year, the energy equipment segment conducted R&D projects for LNG refueling station systems, LNG refueling barges, LNG fuel vessels and supporting solutions, composite cylinders for hydrogen storage, CNG transport ships, and high-speed skid-mounted CNG compressors for wholesale stations. The chemical equipment arm focused on the development of tank containers for hazardous liquids, tank containers for liquefied gas, special tank containers, lightweight tank containers. The liquid food equipment segment devoted to the R&D of complete turnkey brewery systems.

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.

Apart from in-house R&D efforts, in order to strengthen the Group's prime position in the market and promote a sustainable development of the industries it engaged in, the Group has participated in the establishment of several national and/or industrial standards for products such as liquefied gas trailers, tank containers for liquefied gas, tank containers for hazardous liquids, tanker trucks for refrigerated liquefied gas, and tank containers for refrigerated liquefied gas.

The Group will continue to devote sufficient resources to launch quality products to broaden its customer portfolio and provide more sustainable growth in turnover.

Production capacity

In 2013, the Group invested RMB263,887,000 in capital expenditure. On top of the investments for regular maintenance and production technology improvements amounted to RMB71,598,000, the amount of RMB192,289,000 were attributable to enhancement of production capacity.

Based on National Development and Reform Commission ("NDRC") latest policy on gas utilisation, the bullish outlook of LNG equipment was further confirmed. City-gas distribution and natural gas vehicle ("NGV") refueling continue to be favoured with priority usage of natural gas resources. Over the past two years, the Group has already undertaken a series of expansion activities on production capacity to capture and secure the growing demand for CNG/LNG storage equipment resulting from the acceleration of natural gas distribution and usage. On top of the existing product portfolio, a range of new products, such as modular LNG refueling equipment, LNG tank containers, small LNG storage tanks ("Anjietong") and advanced models of CNG/LNG trailers, have been launched onto the market and contributed revenue during the year.

In 2013, the Group commenced another wave of production capacity enhancement on natural gas refueling stations and on-vehicle LNG fuel tanks to fulfill the needs and demands triggered by the NGV boom in the PRC. The Group has invested to double up the production capacity of on-vehicle LNG fuel tanks in both Zhangjiagang and Shijiazhuang, and to provide additional capacity for natural gas refueling station production 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.

Management Discussion and Analysis

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, Kunlun Energy, China Resources Gas, ENN Energy, China Railway Group, EXSIF, TAL International, Sinochem International, Stolt-Nielsen, Sinotruk and Foton Daimler. By investing in the development of healthy customer relationships, some customers have partnered with the Group to pursue new lines of business or develop new products.

At the industry level, the Group has attended and contributed to various conferences organised by industry associations, with an aim to take the lead in industry development and drive initiatives to enhance the industry standards. The Group has also actively participated in international trade fairs, which provided excellent platforms for live presentations of the Group's products and services and initiating contacts with new customers. Equally important, the trade fairs have enabled the Group to maintain and renew contacts with existing customers.

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 RMB4,294,597,000 (2012: RMB3,620,048,000). Continuous efforts are put into emerging markets as well as natural-gas-rich countries like Russia and USA. The Group pays visit to emerging markets from time to time, so as to gather local market information and meantime promote its products and services.

The Group has set up representative offices in South-east Asia and a company in USA which have boosted local sales and allow direct access to customers in surrounding regions, the Group will look for opportunities to set up more organisations in various 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 continues to endeavour to maintain its leading market position in various industries it is engaged in.

Cost control

With firm determination to maximise cost efficiency, the Group continues to implement cost control and management enhancement programmes. Benefiting from economies of scale as well as successful implementation of the above programmes, 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 has implemented a flexible cost forecast programme among its subsidiaries, to achieve tighter cost control and more accurate and efficient budgeting. Such programme emphasises on the relationship between different productivity levels and types of cost involved.

In an attempt to create a reliable and long-term source of supply at low cost, the Group will adopt practices to enhance its supplier portfolio, such as through identifying strategic suppliers, managing purchasing process, and developing supplier capabilities continuously.

Management Discussion and Analysis

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 2013, the Group held exclusive rights to a portfolio of over 290 patents, of which 97 patents are newly obtained during the year. Apart from filing patent applications timely and managing the patent portfolio regularly, the Group believes it is essential to develop a corporate awareness and capabilities of patents; hence the Group's technical employees are educated with a good knowledge of patents and other intellectual property rights.

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. A new centre in Hengyang has started construction during the year and is scheduled to put into operation in the second half of 2014. 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. To help the Group's senior leaders to discover and implement business breakthroughs and boosting their leadership skills, they are provided with senior leadership and management training programmes. In addition, 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 2013, the total number of employees of the Group was approximately 9,900 (2012: approximately 9,100). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB1,166,316,000 (2012: RMB889,250,000).

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.

Management Discussion and Analysis

Financial Analysis

Turnover

Due to the continuous growth in global demand for equipment for storage, transportation, distribution and vehicle application of natural gas, particularly in China, the energy equipment segment continued its robust growth in 2013. With a gradually recovering global economy, the chemical equipment segment's turnover recorded a modest growth. The liquid food equipment segment's surge in turnover was attributed to the improved business environment of the liquid food equipment industry and the acquisition of certain assets from Ziemann Group which broadened the Group's product line-up. As a result, the turnover of the Group for 2013 increased by 23.5% to RMB9,981,462,000 over the previous year (2012: RMB8,082,895,000). The performance of each segment is discussed below.

Energy equipment remains the top grossing segment of the Group, its turnover rose by 25.8% to RMB5,371,550,000 (2012: RMB4,268,442,000) and accounted for 53.8% (2012: 52.8%) of the overall turnover. LNG products were the main revenue contributor of this segment during the year.

Chemical equipment segment's turnover rose by 8.7% to RMB3,093,578,000 over the previous year (2012: RMB2,845,992,000) and contributed 31.0% (2012: 35.2%) of the overall turnover, making it the second top grossing segment of the Group.

Turnover of liquid food equipment segment surged by 56.6% to RMB1,516,334,000 (2012: RMB968,461,000) and contribution to the Group's overall turnover increased from 12.0% in the previous year to 15.2%.

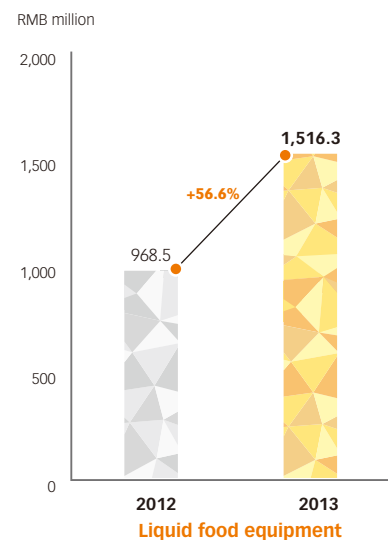
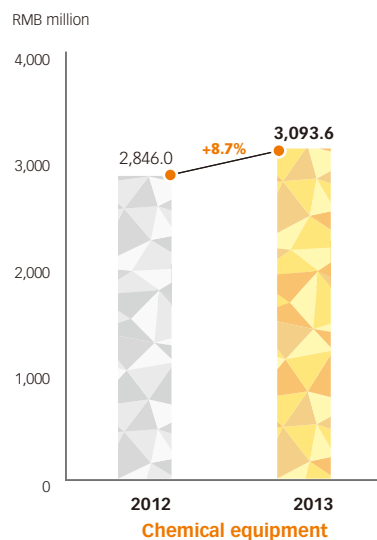
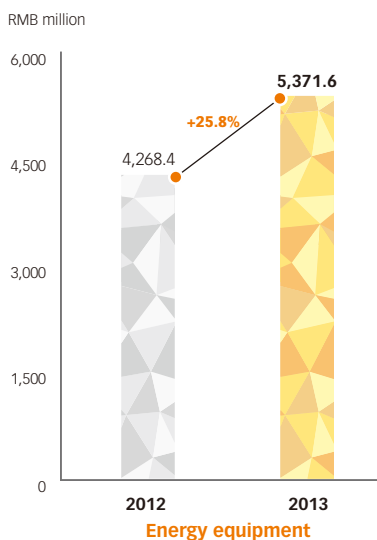
Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly by 0.4 percentage point to 21.5% (2012: 21.9%). A change in the product mix with LNG products overtaking CNG products as the largest sales contributor during the year caused the segment's GP margin to change slightly.

In relation to the chemical equipment segment, its GP margin saw a further improvement from 17.5% in 2012 to 18.9% in the current year. This is mainly attributable to the falling price of stainless steel, the key raw materials, during the year.

The GP margin for liquid food equipment segment improved from 15.2% in 2012 to 19.1%. Last 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.

Segment's Turnover



Management Discussion and Analysis

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 20.3% (2012: 19.5%).

Profit from operations expressed as a percentage of turnover improved slightly by 0.3 percentage point to 12.0% (2012: 11.7%) which is mainly attributable to an improved GP margin despite 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 RMB972,521,000, representing a growth of 28.0% over the previous year (2012: RMB759,863,000).

Other revenue

Other revenue totalling RMB220,034,000 in 2013 (2012: RMB159,431,000) consisted of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in government grant especially for subsidising the relocation of the Group's compressor production plant and other operating revenue during 2013.

Selling expenses

Selling expenses increased by 5.2% to RMB272,892,000 (2012: RMB259,419,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increased at a slower pace than turnover mainly because of freight charges decreased during the year.

Administrative expenses

Administrative expenses increased by 35.2% to RMB763,629,000 (2012: RMB564,842,000) 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 from the acquisition of Ziemann's business, the Group's organic growth and rising R&D expenses to cope with business expansion.

Other net (expenses)/income

Other net expenses of RMB6,887,000 in 2013 (2012: Other net income of RMB35,619,000) comprised loss on disposal of property, plant and equipment, charitable donations, exchange loss and various miscellaneous income. Other net income in 2012 turned into other net expenses in the current year due to firstly the absence of gain on purchase of certain assets from Ziemann Group (2012: gain of RMB25,016,000) and secondly the exchange gain of RMB9,971,000 in 2012 changed to a loss of RMB15,684,000 mainly due to the depreciation of RMB against USD in 2013.

Finance costs

During 2013, finance costs rose by 4.8% to RMB19,766,000 (2012: RMB18,865,000). Finance costs mainly comprised interest on bank loan and other borrowings of RMB16,268,000 (2012: RMB16,730,000). Despite repaying a portion of bank borrowings towards the year end, the average bank borrowing is still comparable to the 2012 level thus resulting in stable interest expense during the year.

Taxation

Tax expenses for the Group rose by 25.2% to RMB202,316,000 in 2013 (2012: RMB161,562,000) which is slightly slower than profit before taxation's growth. Through tax planning measures, the Group was able to utilise tax losses.

Financial Resources Review

Liquidity and financial resources

At 31 December 2013, the cash and cash equivalents of the Group amounted to RMB1,533,695,000 (2012: RMB953,492,000) and bank loans and overdrafts of RMB170,873,000 (2012: RMB400,241,000). A portion of the Group's bank deposits totalling RMB128,433,000 (2012: RMB56,893,000), 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.

Management Discussion and Analysis

At 31 December 2013, the Group's bank loans and overdrafts amounted to RMB170,873,000 (2012: RMB400,241,000), other than the HKD45,000,000 (equivalent to RMB35,380,000) two-year term loan and the RMB1,000,000 three-year term loans for capital expenditure, the remaining is repayable within one year. Apart from the term loans dominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 1.98% to 6.89% per annum. At 31 December 2013, the Group did not have secured bank loan (2012: Nil). As of 31 December 2013, bank loans amounting to RMB169,368,000 (2012: RMB400,057,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2012: zero times) as the Group retained a net cash balance of RMB1,491,255,000 (2012: RMB610,144,000). The increase in net cash balance is mainly attributable to a considerable amount of down payment for a significant project, as well as the reduction of capital expenditure resulting from the completion of large-scale expansion projects over the past 2 years and no major acquisition occurred in 2013. Apart from this, the management dedicates its effort to continuously improve the cash management to minimise unnecessary finance cost. As a result, bank loans recorded a reduction at year end. The Group's interest coverage was 73.7 times for the year (2012: 56.4 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2013, net cash generated from operating activities amounted to RMB1,116,005,000 (2012: RMB856,704,000). The Group drew bank loans of RMB461,150,000 (2012: RMB1,090,239,000) and repaid RMB687,071,000 (2012: RMB1,202,939,000). A payment of final dividend in respect of the financial year 2012 were approximately RMB105,993,000. In addition, cash proceeds amounted to RMB34,446,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 31 December 2013, total assets of the Group amounted to RMB9,560,178,000 (2012: RMB7,727,182,000) while total liabilities were RMB4,551,508,000 (2012: RMB3,649,343,000). The net asset value rose by 22.8% to RMB5,008,670,000 (2012: RMB4,077,839,000) which was mainly attributable to the net profit of RMB980,666,000, plus by exchange difference on translation of financial statements denominated in foreign currencies of RMB12,158,000 for the year. As a result, the net asset value per share increased to RMB2.649 at 31 December 2013 from RMB2.170 at 31 December 2012.

Contingent liabilities

At 31 December 2013, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2013, the Group had contracted but not provided for capital commitments of RMB49,198,000 (2012: RMB90,611,000). As of 31 December 2013, the Group did not have authorised but not contracted for capital commitments (2012: 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 2013, the Group had total capital commitments of RMB49,198,000.

Directors and Senior Management

Directors

Mr. Zhao Qingsheng

Chairman and Executive Director, chairman of Nomination Committee

Mr. Zhao, aged 61, 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 49, 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 60, 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 48, 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.

Directors and Senior Management

Mr. Jin Yongsheng

Non-executive Director

Mr. Jin, aged 50, 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. Wong Chun Ho

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

Mr. Wong, aged 41, 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 53, 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. Tsui is currently an independent non-executive director of China Huishan Diary Holdings Company Limited (shares of which are listed on the Main Board of the Stock Exchange).

Mr. Zhang Xueqian

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

Mr. Zhang, aged 64, 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.

Directors and Senior Management

Senior Management

Mr. Ren Yingjian

Deputy General Manager

Mr. Ren, aged 58, 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 51, 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 46, 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 50, 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 45, 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 42, 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 CG Code 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;
- Information Disclosure Policy; and
- Board Diversity Policy.

Throughout the year ended 31 December 2013, the Company complied with all the code provisions of the CG Code.

Board of Directors

The board

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

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

- long-term direction and objectives;
- strategic business development;

Corporate Governance Report

Board of Directors *(Continued)*

The board *(Continued)*

- 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 2013 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 2012 and 2013, and for the six months ended 30 June 2013 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;
- accepted and approved the resignation of Mr. Petrus Gerardus Maria van der Burg as a director of the Company;
- approved the continuing connected transactions contemplated under the technology licence agreements entered into between the relevant wholly-owned subsidiaries of the Company and CIMC;
- approved the continuing connected transactions contemplated under the sales agreement and the services agreement entered into between the Company and CIMC;
- approved the change of principal share registrar and transfer agent of the Company; and
- reviewed the effectiveness of internal controls taken by the Group.

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.

Corporate Governance Report

Board of Directors *(Continued)*

The board *(Continued)*

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”;
- approved and adopted the guideline namely “Board Diversity Policy”; and
- reviewed the disclosure in the Corporate Governance Reports set out in the Company’s Annual Reports for 2012 and 2013 respectively.

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

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

Corporate Governance Report

Board of Directors *(Continued)*

The board *(Continued)*

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 eight 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 one Non-executive Director.

Composition of the Board, by categories of directors, including names of the Chairman, Executive Directors, a Non-executive Director 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 20 to 22 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.

Corporate Governance 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 2013 and in 2014 (up to the date of this report) 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 20 to 22 and on the Company's website.

The Company has issued and adopted its 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. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2013.

Director's attendance

	Board <i>(Note 1)</i>	No. of meetings attended during 2013			Shareholders
		Audit Committee	Remuneration Committee	Nomination Committee	
<i>Executive Directors</i>					
Mr. Zhao Qingsheng (<i>Chairman</i>)	2/4	–	–	2/2	1/1
Mr. Gao Xiang (<i>General Manager</i>)	2/4	–	–	–	1/1
Mr. Jin Jianlong	2/4	–	2/2	–	0/1
Mr. Yu Yuqun	2/4	–	–	–	0/1
<i>Non-executive Directors</i>					
Mr. Jin Yongsheng	4/4	–	–	–	1/1
Mr. Petrus Gerardus Maria van der Burg (<i>Note 2</i>)	1/2	–	–	–	1/1
<i>Independent Non-executive Directors</i>					
Mr. Wong Chun Ho	4/4	4/4	–	2/2	1/1
Mr. Tsui Kei Pang	4/4	4/4	2/2	–	1/1
Mr. Zhang Xueqian	4/4	4/4	2/2	2/2	1/1

Corporate Governance Report

Board of Directors *(Continued)*

Director's attendance *(Continued)*

Notes:

1. A total of four Board meetings were held during 2013. For the Board meetings held on 15 May 2013 and 27 November 2013 for approving the continuing connected transactions with CIMC, Messrs. Zhao Qingsheng, Gao Xiang, Jin Jianlong and Yu Yuqun, and Petrus Gerardus Maria van der Burg (for the Board meeting on 15 May 2013 only) were required to abstain from voting and had excused themselves from these meeting(s), given their directorships and/or senior management positions in CIMC, pursuant to the Articles.
2. Mr. Petrus Gerardus Maria van der Burg resigned as a director of the Company with effect from 16 July 2013.

	No. of meetings attended during 1 January 2014 to the date of this report				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders
<i>Executive Directors</i>					
Mr. Zhao Qingsheng <i>(Chairman)</i>	2/2	–	–	1/1	1/1
Mr. Gao Xiang <i>(General Manager)</i>	2/2	–	–	–	0/1
Mr. Jin Jianlong	2/2	–	1/1	–	0/1
Mr. Yu Yuqun	2/2	–	–	–	0/1
<i>Non-executive Director</i>					
Mr. Jin Yongsheng	2/2	–	–	–	0/1
<i>Independent Non-executive Directors</i>					
Mr. Wong Chun Ho	2/2	2/2	–	1/1	0/1
Mr. Tsui Kei Pang	2/2	2/2	1/1	–	1/1
Mr. Zhang Xueqian	2/2	2/2	1/1	1/1	1/1

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 the main amendments to the new Companies Ordinance and the guide on environmental, social and governance reporting. 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. Wong Chun Ho and Mr. Zhang Xueqian attended the seminar in person. Two Directors, namely Mr. Yu Yuqun and Mr. Tsui Kei Pang 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 2013 to the Company.

Corporate Governance Report

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, having due regard for the benefits of diversity on the Board, 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.

Board Diversity Policy

The Company has adopted a “Board Diversity Policy” which sets out the approach to achieve diversity on the Board. The Company considers that having a diverse Board is of vital importance to the Company’s business development. A summary of the Board Diversity Policy is set out below:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional qualifications and work experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, educational background, professional qualifications and work experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board will consider from time to time whether it should set any measurable objectives to facilitate the implementation of the policy.

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.

Corporate Governance Report

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 2013 and 2012 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
HKD1,000,000 or below	1
HKD1,000,001 to HKD1,500,000	3
HKD1,500,001 to HKD2,000,000	1
HKD2,000,001 to HKD2,500,000	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.

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.

Corporate Governance Report

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 2013, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2012;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the year ended 31 December 2012 and the six months ended 30 June 2013, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2012, and the interim results for the six months ended 30 June 2013 with the external auditor;
- the continuing connected transactions of the Group during 2012 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- the compliance and enforcement of the deed of non-compete undertakings dated 1 June 2009 (the "Deed of Non-compete Undertakings" or the "Deed") made by CIMC in favour of the Company which was subject to annual review by the Independent Non-executive Directors thereunder;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of external auditor;
- the policy for provision of non-audit services by external auditor;
- the external auditor's management letters and the management's response thereto; and
- the effectiveness of internal control system of the Group for 2012.

Corporate Governance Report

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

In 2013 and up to the date of this Report, the Company engaged 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 2013	944,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2013	<u>3,947,000</u>
Total	<u><u>4,891,000</u></u>

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2013 and up to the date of this report.

Remuneration Committee

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

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 2013, 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 2013 and the other Directors (except the members of the Remuneration Committee).

Nomination Committee

The Nomination Committee is chaired by Mr. Zhao Qingsheng, the chairman of the Board. Its other members are Mr. Wong Chun Ho and Mr. Zhang Xueqian, both are Independent Non-executive Directors.

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

In 2013, 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 2013, and made recommendation to the Board.

Corporate Governance Report

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 22 under the section headed "Directors and Senior Management" and on the Company's website. During 2013, 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 49.

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.

Corporate Governance Report

Accountability and Audit *(Continued)*

Internal controls *(Continued)*

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 2013.

Corporate Governance Report

Non-compete Undertakings *(Continued)*

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.

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.

Corporate Governance Report

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

Shareholders' rights (Continued)

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.

General meetings held in 2013

In 2013, the Company held an AGM.

The most recent general meeting was the EGM held on 23 January 2014 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. One resolution was proposed in the meeting and 100% of votes were cast in favour of the resolution. The proposed resolution was therefore passed as ordinary resolutions of the Company. Extract of the resolution is the approval of the continuing connected transactions contemplated under the sales agreement, and the proposed annual caps.

Full text of the above resolution is set out in the notice of EGM of the Company dated 18 December 2013. The poll results of the EGM have been published on the websites of the Stock Exchange and the Company.

Investor relations contacts

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

By phone : (852) 2528 9386
 By fax : (852) 2865 9877
 By post : Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong
 By email : 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 2013, 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 2014

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 2013.

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 2013 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 50 to 126.

Dividends and Reserves

The Directors are pleased to propose a final dividend in respect of 2013 of HKD0.12 per ordinary share (the "2013 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on Tuesday, 20 May 2014.

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.

Directors' Report

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 2013 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	5.4%	–
Five largest customers in aggregate (<i>Note 1</i>)	18.0%	–
The largest supplier	–	6.7%
Five largest suppliers in aggregate	–	21.6%

Notes:

- 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 2013, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.
- 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 RMB21,000 (2012: RMB187,000).

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 2013 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' Report

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 Director

Mr. Jin Yongsheng

Independent Non-executive Directors

Mr. Wong Chun Ho
 Mr. Tsui Kei Pang
 Mr. Zhang Xueqian

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

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2013, 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 (Note)
Zhao Qingsheng	Beneficial owner	Ordinary	214,000	0.01%

Note:

The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2013, which was 1,890,705,522. On 7 May 2013, CIMC HK, a wholly owned subsidiary of CIMC, converted 495,000,000 preference shares into ordinary shares. Since then, the Company no longer has any preference shares in issue.

Directors' Report

Directors' Interests in Shares *(Continued)*

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.

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle Group	Zhao Qingsheng	Beneficiary of a trust <i>(Note 1)</i>	3,350,000	1.52% <i>(Note 2)</i>
	Gao Xiang	Beneficiary of a trust <i>(Note 1)</i>	1,350,000	0.61% <i>(Note 2)</i>
	Jin Jianlong	Beneficiary of a trust <i>(Note 1)</i>	2,350,000	1.06% <i>(Note 2)</i>
	Yu Yuqun	Beneficiary of a trust <i>(Note 1)</i>	2,350,000	1.06% <i>(Note 2)</i>
CIMC	Zhao Qingsheng	Beneficial owner <i>(Note 3)</i>	1,500,000	0.06% <i>(Note 4)</i>
	Gao Xiang	Beneficial owner <i>(Note 3)</i>	500,000	0.02% <i>(Note 4)</i>
	Jin Jianlong	Beneficial owner <i>(Note 3)</i>	1,000,000	0.04% <i>(Note 4)</i>
	Yu Yuqun	Beneficial owner <i>(Note 3)</i>	1,000,000	0.04% <i>(Note 4)</i>

Notes:

- 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 214,115,000 units were allocated as at 31 December 2013. 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 is controlled by CIMC as to 80%.
- The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2013, which was 220,700,000.
- 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 RMB11.35 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.
- The percentage is calculated based on the total number of share capital of CIMC in issue as at 31 December 2013, which was 2,662,396,051.

Directors' Report

Directors' Interests in Shares *(Continued)*

Long positions in the shares of associated corporations *(Continued)*

Save as disclosed above, as at 31 December 2013, 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 2013, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2013, 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	Number of shares held	% of issued share capital <i>(Note 1)</i>
CIMC	Interest of controlled corporation	1,322,335,645 <i>(Note 2)</i>	69.94%
CIMC HK	Interest of controlled corporation	190,703,000 <i>(Note 3)</i>	10.09%
	Beneficial owner	1,131,632,645	59.85%
Charm Wise	Beneficial owner	190,703,000 <i>(Note 3)</i>	10.09%

Notes:

- The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2013, which was 1,890,705,522.
- These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,131,632,645 ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.
- 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 2013, (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.

Directors' Report

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 2013.

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 2,350,000 number of these options were lapsed as at 31 December 2013.

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

Directors' Report

Share Options *(Continued)*

During the year ended 31 December 2013, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period	outstanding at 1 January 2013	Number of share options			transferred to/from other category	outstanding at 31 December 2013
				granted during the year	exercised during the year	lapsed during the year		
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	–	(102,000)	–	–	698,000
	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
Petrus Gerardus Maria van der Burg (resigned on 16/07/2013)	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	–	(1,102,000)	–	(400,000)	7,248,000
Employees								
	11/11/2009	11/11/2010 – 10/11/2019	19,000,000	–	(7,054,000)	–	–	11,946,000
	28/10/2011	28/10/2013 – 27/10/2021	30,350,000	–	(2,510,000)	(1,070,000)	400,000	27,170,000
Other participants								
	11/11/2009	11/11/2010 – 10/11/2019	10,026,000	–	(896,000)	–	–	9,130,000
	28/10/2011	28/10/2013 – 27/10/2021	3,420,000	–	(276,000)	–	–	3,144,000
Total			<u>71,546,000</u>	<u>–</u>	<u>(11,838,000)</u>	<u>(1,070,000)</u>	<u>–</u>	<u>58,638,000</u>

Directors' Report

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 2013 was HKD10.36 per share.
4. The accounting policy adopted for the above options granted was set out in note 2u(ii) and note 32 to the financial statements.

As at the date of this report, a total of 48,315,220 number of options, representing 2.55% 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 55,316,000 shares, representing 2.92% of the issued ordinary share capital of the Company, are available for issue under the Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the year ended 31 December 2013.

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

Directors' Report

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 RMB479,482,000.

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 RMB4,490,000.

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 RMB6,226,000.

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 RMB21,526,000.

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 RMB290,249,000.

Directors' Report

Connected Transactions and Interests in Contracts *(Continued)*

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

On 30 December 2011, CIMC Enric Tank and Process B.V. (formerly known as Holvrieka Holding B.V., a wholly-owned subsidiary of the Company, "CETP") 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 CETP granted to NCLS an exclusive non-transferrable right to use the know-how and certain trade names, trademarks and copyrights of CETP 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. On 15 May 2013, Ziemann International GmbH (a wholly-owned subsidiary of the Company, "Ziemann International") entered into another technology licence agreement with NCLS, whereby Ziemann International granted to NCLS an exclusive non-transferrable right to use the know-how and certain trade names, trademarks and copyrights of Ziemann International, within the PRC, in respect of engineering, manufacture, construction, assembly and sale of products used in the liquid food industry within the PRC, and to render related technical and commercial services to NCLS, for a period from 15 May 2013 to 31 December 2014. On the basis that the transactions under both technology licence agreements involve granting to NCLS exclusive non-transferrable rights to use the know-how and intellectual property rights of the Group in relation to the liquid food equipment business, the transactions under both agreements have been aggregated pursuant to the Listing Rules. During the year, the licence fee income recognised by the Group was RMB6,243,000.

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, 30 December 2011 and 15 May 2013 made by the Company in respect of each of the disclosed continuing connected transactions.

Directors' Report

Connected Transactions and Interests in Contracts *(Continued)*

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 23 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 2013.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2013 Final Dividend, the register of members of the Company will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014 (both days inclusive). In order to qualify for the 2013 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 26 May 2014.

Subject to the approval by shareholders at the AGM to be held on 20 May 2014, the 2013 Final Dividend will be paid in cash on or about 23 June 2014 to shareholders whose names appear on the register of members of the Company on 29 May 2014 (the "Record Date").

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2013 Final Dividend

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law"), "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which the Company is regarded as a Chinese Resident Enterprise, effective from the year 2013.

Pursuant to the Enterprise Income Tax Law and the "Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China", the Company is required to withhold and pay 10% enterprise income tax when it distributes the 2013 Final Dividend and dividends in subsequent years to its non-resident enterprise shareholders. The withholding and payment obligation lies with the Company. Therefore, the Company will implement enterprise income tax withholding and payment when it distributes the 2013 Final Dividend and dividends in subsequent years.

Directors' Report

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2013 Final Dividend *(Continued)*

In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2013 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2013 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Monday, 26 May 2014.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold and pay the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding and payment of enterprise income tax.

Public Float

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

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

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

Auditor

The financial statements for the year have been audited by 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 2014

Independent Auditor's Report



羅兵咸永道

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

We have audited the consolidated financial statements of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 126, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 2013, 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 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Turnover	4&13	9,981,462	8,082,895
Cost of sales		(7,956,429)	(6,504,655)
Gross profit		2,025,033	1,578,240
Change in fair value of derivative financial instruments		1,089	(3,026)
Other revenue	5	220,034	159,431
Other net (expenses)/income	5	(6,887)	35,619
Selling expenses		(272,892)	(259,419)
Administrative expenses		(763,629)	(564,842)
Profit from operations		1,202,748	946,003
Finance costs	6(a)	(19,766)	(18,865)
Profit before taxation	6	1,182,982	927,138
Income tax	7	(202,316)	(161,562)
Profit for the year		980,666	765,576
Attributable to:			
– Equity shareholders of the Company		972,521	759,863
– Non-controlling interests		8,145	5,713
Profit for the year		980,666	765,576
Earnings per share	12		
– Basic		RMB0.516	RMB0.405
– Diluted		RMB0.504	RMB0.401

The notes on pages 58 to 126 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 2013

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Profit for the year	980,666	765,576
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	12,158	34,704
Total comprehensive income for the year	992,824	800,280
Attributable to:		
Equity shareholders of the Company	984,679	794,567
Non-controlling interests	8,145	5,713
Total comprehensive income for the year	992,824	800,280

The notes on pages 58 to 126 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2013

		As at 31 December	
	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	1,767,065	1,575,115
Construction in progress	15	74,608	187,586
Lease prepayments	16	341,530	328,273
Intangible assets	17	123,220	133,976
Investment in an associate	18	4,000	–
Goodwill	20	129,341	129,341
Other financial assets	21	59	59
Deferred tax assets	33(b)	51,371	48,589
		2,491,194	2,402,939
Current assets			
Derivative financial instruments	22	1,104	15
Inventories	23	2,383,281	1,974,295
Trade and bill receivables	24	2,284,342	1,841,547
Deposits, other receivables and prepayments	25	656,700	460,970
Amounts due from related parties	39(c)	81,429	37,031
Restricted bank deposits	27	128,433	56,893
Cash and cash equivalents	27	1,533,695	953,492
		7,068,984	5,324,243
Current liabilities			
Bank loans and overdrafts	28	134,493	263,160
Trade and bill payables	29	1,814,740	1,351,418
Other payables and accrued expenses	30	1,934,968	1,329,817
Amounts due to related parties	39(c)	134,625	75,395
Provisions	31	41,603	20,181
Income tax payable	33(a)	29,707	75,173
Employee benefit liabilities	35	207	68
		4,090,343	3,115,212
Net current assets		2,978,641	2,209,031
Total assets less current liabilities		5,469,835	4,611,970

Consolidated Balance Sheet

As at 31 December 2013

	Note	As at 31 December	
		2013 RMB'000	2012 RMB'000
Non-current liabilities			
Bank loans	28	36,380	137,081
Provisions	31	43,364	50,057
Deferred tax liabilities	33(b)	111,526	101,328
Deferred income	34	268,213	243,988
Employee benefit liabilities	35	1,682	1,677
		<u>461,165</u>	<u>534,131</u>
NET ASSETS		<u>5,008,670</u>	<u>4,077,839</u>
CAPITAL AND RESERVES			
Share capital	36(b)	17,376	17,282
Reserves		4,957,223	4,034,631
Equity attributable to equity shareholders of the Company		<u>4,974,599</u>	<u>4,051,913</u>
Non-controlling interests		34,071	25,926
TOTAL EQUITY		<u>5,008,670</u>	<u>4,077,839</u>

The notes on pages 58 to 126 form an integral part of these consolidated financial statements.

The financial statements on pages 50 to 126 were approved by the Board of Directors on 19 March 2014 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Balance Sheet

As at 31 December 2013

		As at 31 December	
	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	19	4,144,571	4,274,331
		<u>4,144,571</u>	<u>4,274,331</u>
Current assets			
Other receivables		19	88
Amounts due from subsidiaries	40	609,559	523,631
Cash and cash equivalents	27	12,092	18,126
		<u>621,670</u>	<u>541,845</u>
Current liabilities			
Bank loans	28	82,554	72,977
Other payables and accrued expenses		10,847	2,177
Amounts due to subsidiaries	40	99,906	69,834
		<u>193,307</u>	<u>144,988</u>
Net current assets		<u>428,363</u>	<u>396,857</u>
Total assets less current liabilities		<u>4,572,934</u>	<u>4,671,188</u>
Non-current liabilities			
Bank loans	28	35,380	121,627
		<u>35,380</u>	<u>121,627</u>
NET ASSETS		<u>4,537,554</u>	<u>4,549,561</u>
Capital and reserves			
Share capital	36	17,376	17,282
Reserves		4,520,178	4,532,279
TOTAL EQUITY		<u>4,537,554</u>	<u>4,549,561</u>

The notes on pages 58 to 126 form an integral part of these financial statements.

The financial statements on pages 50 to 126 were approved by the Board of Directors on 19 March 2014 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

Attributable to equity shareholders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	36(b)	36(c)(i)	36(c)(ii)	36(c)(iii)	36(c)(iv)	36(c)(v)				
At 1 January 2012	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 (note 32)	-	-	-	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	<u>17,282</u>	<u>197,080</u>	<u>810,822</u>	<u>62,906</u>	<u>(200,381)</u>	<u>236,672</u>	<u>2,927,532</u>	<u>4,051,913</u>	<u>25,926</u>	<u>4,077,839</u>
At 1 January 2013	17,282	197,080	810,822	62,906	(200,381)	236,672	2,927,532	4,051,913	25,926	4,077,839
Profit for the year	-	-	-	-	-	-	972,521	972,521	8,145	980,666
Other comprehensive income	-	-	-	-	12,158	-	-	12,158	-	12,158
Total comprehensive income	-	-	-	-	12,158	-	972,521	984,679	8,145	992,824
Issuance of shares in connection with exercise of share options	94	48,327	-	(13,975)	-	-	-	34,446	-	34,446
Equity-settled share-based transactions (note 32)	-	-	-	9,554	-	-	-	9,554	-	9,554
Transfer to general reserve	-	-	-	-	-	92,228	(92,228)	-	-	-
2012 final dividend paid	-	(105,993)	-	-	-	-	-	(105,993)	-	(105,993)
At 31 December 2013	<u>17,376</u>	<u>139,414</u>	<u>810,822</u>	<u>58,485</u>	<u>(188,223)</u>	<u>328,900</u>	<u>3,807,825</u>	<u>4,974,599</u>	<u>34,071</u>	<u>5,008,670</u>

The notes on pages 58 to 126 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

		Year ended 31 December	
		2013	2012
		RMB'000	RMB'000
	Note		
Operating activities			
Profit before taxation		1,182,982	927,138
Adjustments for:			
Depreciation and amortisation		175,060	135,853
Change in fair value of derivative financial instruments		(1,089)	3,026
Interest income	5	(16,287)	(16,112)
Interest charges	6(a)	16,268	16,730
Gain from bargain purchase	5	–	(25,016)
Net loss/(gain) on disposal of property, plant and equipment and lease prepayment	5	319	(51)
Equity-settled share-based payment expenses	6(b)	9,554	11,244
Foreign exchange loss/(gain)	5	15,684	(9,971)
		1,382,491	1,042,841
Operating profit before changes in working capital			
(Increase)/decrease in inventories		(408,174)	139,866
Increase in trade and bill receivables		(443,121)	(387,201)
(Increase)/decrease in deposits, other receivables and prepayments		(195,799)	135,832
Increase in amounts due from related parties		(44,398)	(19,003)
(Increase)/decrease in restricted bank deposits		(71,540)	30,046
Increase in trade and bill payables		463,322	4,021
Increase/(decrease) in other payables and accrued expenses		605,151	(64,976)
Increase/(decrease) in amounts due to related parties		28,263	(8,071)
Increase in employee benefit liabilities		144	81
Increase in deferred income		24,225	105,856
Increase in provisions		16,170	18,130
		1,356,734	997,422
Cash generated from operations			
Income tax paid	33(a)	(240,729)	(140,718)
		1,116,005	856,704
Net cash from operating activities			

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		(224,567)	(427,882)
Payment for lease prepayments		(29,387)	–
Payment for acquisition of intangible assets		(7,933)	(23,560)
Proceeds from disposal of property, plant and equipment		1,855	4,143
Proceeds from disposal of lease prepayment		8,835	7,061
Acquisition of subsidiaries, net of cash acquired		–	(264,777)
Capital contribution to the associate		(2,000)	–
Interest received		16,287	16,112
Equity investment under common control combination		–	(37,555)
Net cash used in investing activities		(236,910)	(726,458)
Financing activities			
Proceeds from new bank loans		461,150	1,090,239
Repayment of bank loans		(687,071)	(1,202,939)
Interest paid		(20,080)	(20,303)
Proceeds from issuance of ordinary shares		34,446	18,786
Dividends paid to Company's shareholders		(105,993)	(116,881)
Loans from a related party		71,000	20,000
Repayment of loans from a related party		(40,033)	–
Net cash used in financing activities		(286,581)	(211,098)
Net increase/(decrease) in cash and cash equivalents		592,514	(80,852)
Cash and cash equivalents at 1 January		953,308	992,130
Effect of foreign exchange rate changes		(13,632)	42,030
Cash and cash equivalents at 31 December	27(b)	1,532,190	953,308

The notes on pages 58 to 126 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 2014.

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 of 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(c) Changes in accounting policies

There are no amended standards or interpretations that are effective for the first time for the current accounting period of the Group and the Company that have a material impact on the Group and the Company.

(d) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations apart from the common control combination as depicted in Note 2(b). 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.

Acquisition-related costs are expensed as incurred.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(d) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(e) Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

(f) 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(m)).

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.

(g) 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(m)).

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(m)).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(g) Investments in debt and equity securities *(Continued)*

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(x)(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(x)(vi). When these investments are derecognised or impaired (see note 2(m)), 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.

(h) 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.

(i) Property, plant and equipment

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

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(z)).

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(i) Property, plant and equipment *(Continued)*

- (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(m)). 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.

(j) 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(z)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(m)). 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(m)). 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.

(k) 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(m)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

(l) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(m) 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(m)(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(m)(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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(m) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(m) 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(m)(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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) 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.

(o) 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(x)(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".

(p) 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(m)).

(q) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

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

(s) 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.

(t) 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.

(u) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(u) Employee benefits *(Continued)*

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

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

(ii) **Share-based payments**

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the 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.

(v) **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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(v) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(w) 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.

(x) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(x) Revenue recognition *(Continued)*

(v) Dividends

Dividend income from 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.

(y) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(z) 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.

(aa) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(ab) 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, 32 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(m)) 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.

Notes to the Financial Statements

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 31, 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(o) and (x)(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, excluding value added taxes or other sales taxes and 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:

	2013 RMB'000	2012 RMB'000
Sales of goods	7,990,370	6,657,070
Revenue from project engineering contracts	1,991,092	1,425,825
	<u>9,981,462</u>	<u>8,082,895</u>

Notes to the Financial Statements

5 Other revenue and other net (expenses)/income

		2013 RMB'000	2012 RMB'000
Other revenue			
Government grants	(i)	86,938	35,624
Other operating revenue	(ii)	116,809	107,695
Interest income from bank deposits		16,287	16,112
		220,034	159,431

- (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.

		2013 RMB'000	2012 RMB'000
Other net (expenses)/income			
Net (loss)/gain on disposal of property, plant and equipment and lease prepayment		(319)	51
Charitable donations		(21)	(187)
Gain from bargain purchase		-	25,016
Foreign exchange (loss)/gain		(15,684)	9,971
Other net income		9,137	768
		(6,887)	35,619

Notes to the Financial Statements

6 Profit before taxation

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

(a) Finance costs

	2013 RMB'000	2012 RMB'000
Interest on bank loans and other borrowings	20,080	20,303
Less: interest capitalised	(3,812)	(3,573)
	<u>16,268</u>	<u>16,730</u>
Bank charges	3,498	2,135
	<u>19,766</u>	<u>18,865</u>

(b) Staff costs⁽ⁱ⁾

	2013 RMB'000	2012 RMB'000
Salaries, wages and allowances	1,107,403	842,540
Contributions to retirement schemes (note 37)	49,359	35,466
Equity-settled share-based payment expenses (note 32)	9,554	11,244
	<u>1,166,316</u>	<u>889,250</u>

Notes to the Financial Statements

6 Profit before taxation (Continued)

(c) Other items

	2013 RMB'000	2012 RMB'000
Cost of inventories ⁽ⁱ⁾	6,347,183	5,296,070
Auditors' remuneration	4,891	4,582
Depreciation of property, plant and equipment ⁽ⁱ⁾	147,265	114,947
Amortisation of intangible assets	19,499	14,426
Amortisation of lease prepayments	8,296	6,480
Impairment provision for trade receivables	4,814	17,447
Reversal of impairment provision for trade receivables	(7,998)	(11,168)
Impairment provision for other receivables	–	1,525
Reversal of impairment provision for other receivables	(3,283)	(1,478)
Write-down of inventories	1,309	3,467
Reversal of write-down of inventories	(1,420)	(1,952)
Research and development costs	145,052	103,381
Operating lease charges for property rental	9,343	7,360
Provision for product warranties	42,780	35,742

- (i) Cost of inventories includes RMB324,756,000 (2012: RMB272,583,000) 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:

	2013 RMB'000	2012 RMB'000
Current tax		
Provision for the year	199,590	196,348
Over-provision in respect of prior years	(4,370)	(3,225)
	195,220	193,123
Deferred tax		
Origination and reversal of temporary differences	7,096	(31,561)
	202,316	161,562

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.

Notes to the Financial Statements

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%, except for those which are entitled to a preferential tax treatment applicable to advanced and new technology enterprises at an income tax rate of 15%.

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. Under the Sino-Hong Kong Double Tax Arrangement, 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 2013, deferred tax liability recognised in this regard was RMB59,053,000 (2012: RMB27,965,000) (see note 33(b)).

Taxation of subsidiaries in the Netherlands, Belgium, Denmark and Germany are charged at the prevailing 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:

	2013 RMB'000	2012 RMB'000
Profit before taxation	1,182,982	927,138
Notional tax on profit before taxation, calculated at the applicable rates	306,712	241,146
Effect of tax concessions	(111,777)	(90,338)
Tax effect of non-taxable income	(7,068)	(4,118)
Tax effect of non-deductible expenses	1,690	4,280
Tax effect of unused tax losses not recognised	–	475
Deferred tax charge on distributable profits	17,634	(17,457)
Over-provision in prior years	(4,370)	(3,225)
Utilisation of tax losses	(505)	(60)
PRC dividend withholding tax	–	30,859
Actual tax expense	202,316	161,562

Notes to the Financial Statements

8 Directors' remuneration

Details of directors' and chief executive's remuneration for the year ended 31 December 2013 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	-	-	-	-	-	132	132
Executive Directors:							
Gao Xiang (ii)	-	1,160	11	1,200	2,371	147	2,518
Jin Jianlong	-	-	-	-	-	87	87
Yu Yuqun	144	-	-	-	144	87	231
Non-executive Directors:							
Jin Yongsheng	-	-	-	-	-	87	87
Petrus Gerardus Maria van der Burg (iii)	-	-	-	-	-	63	63
Independent Non-executive Directors:							
Tsui Kei Pang	144	-	-	-	144	87	231
Wong Chun Ho	144	-	-	-	144	87	231
Zhang Xueqian	144	-	-	-	144	87	231
	576	1,160	11	1,200	2,947	864	3,811

Notes to the Financial Statements

8 Directors' remuneration (Continued)

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 (iii)	-	-	-	-	-	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
	<u>594</u>	<u>1,021</u>	<u>25</u>	<u>900</u>	<u>2,540</u>	<u>1,030</u>	<u>3,570</u>

(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(u)(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 serves as General Manager of the Group.

(iii) Mr. Petrus Gerardus Maria van der Burg resigned as a Director of the Company with effect from 16 July 2013.

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 32.

Notes to the Financial Statements

9 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2012: five) individuals with the highest emoluments, including one of the Directors, are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	7,508	4,921
Bonuses	3,402	4,717
Share-based payments	959	848
Retirement scheme contributions	376	82
	<u>12,245</u>	<u>10,568</u>

The emoluments of the five (2012: five) individuals including one Director with the highest emoluments are within the following bands:

	2013 Number of Individuals	2012 Number of Individuals
Nil – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	–	–
HKD2,000,001 – HKD2,500,000	2	2
HKD2,500,001 – HKD3,000,000	1	2
HKD3,000,001 – HKD3,500,000	1	1
HKD3,500,001 – HKD4,000,000	1	–
	<u>1</u>	<u>–</u>

10 Profit attributable to equity shareholders of the Company

The profit attributable to owners of the company is dealt with in the financial statements of the company to the extent of RMB189,478,000 (2012: RMB179,507,000).

Notes to the Financial Statements

11 Dividends

The final dividend of approximately RMB105,993,000 (HKD0.07 per share) in respect of the year ended 31 December 2012 was paid in 2013. A final dividend in respect of the year ended 31 December 2013 of HKD0.12 (equivalent to approximately RMB0.09) per share has been proposed by the Directors. The proposed final dividend in respect of 2013 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.

	2013 RMB'000	2012 RMB'000
Proposed final dividend HKD0.12 (2012: HKD0.07) per ordinary share	<u>178,377</u>	<u>105,993</u>

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:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>972,521</u>	<u>759,863</u>

	2013	2012
Number of shares		
Weighted average number of ordinary shares at 31 December	1,713,277,560	1,008,169,539
Weighted average number of non-redeemable convertible preference shares	<u>170,876,712</u>	<u>865,728,934</u>
Weighted average number of shares for the purpose of basic earnings per share	1,884,154,272	1,873,898,473
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme (note 32)	<u>44,210,436</u>	<u>21,098,367</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,928,364,708</u>	<u>1,894,996,840</u>

Notes to the Financial Statements

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, which is the group's chief operating decision-maker, 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.

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.

Notes to the Financial Statements

13 Segment reporting *(Continued)*

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

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue from external customers	5,371,550	4,268,442	3,093,578	2,845,992	1,516,334	968,461	9,981,462	8,082,895
Inter-segment revenue	13,324	795	107,679	–	–	–	121,003	795
Reportable segment revenue	5,384,874	4,269,237	3,201,257	2,845,992	1,516,334	968,461	10,102,465	8,083,690
Reportable segment profit (adjusted profit from operations)	760,741	569,407	496,447	425,756	85,081	42,505	1,342,269	1,037,668
Interest income from bank deposits	1,364	3,713	5,882	5,564	7,090	6,039	14,336	15,316
Interest expense	(9,419)	(7,771)	(2,168)	(3,486)	(39)	(1,383)	(11,626)	(12,640)
Depreciation and amortisation for the year	(100,643)	(81,915)	(28,379)	(25,979)	(37,430)	(27,667)	(166,452)	(135,561)
Reportable segment assets	5,958,303	4,769,012	2,011,298	1,773,157	1,511,115	1,017,975	9,480,716	7,560,144
Additions to non-current segment assets during the year	204,380	567,288	49,953	50,144	10,099	199,182	264,432	816,614
Reportable segment liabilities	2,755,846	2,315,456	596,611	612,691	855,054	342,251	4,207,511	3,270,398

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

	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	10,102,465	8,083,690
Elimination of inter-segment revenue	(121,003)	(795)
Consolidated turnover	9,981,462	8,082,895

Notes to the Financial Statements

13 Segment reporting *(Continued)*

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

	2013 RMB'000	2012 RMB'000
Profit		
Reportable segment profit	1,342,269	1,037,668
Elimination of inter-segment profit	(22,181)	(8,669)
Reportable segment profit derived from Group's external customers	1,320,088	1,028,999
Finance costs	(19,766)	(18,865)
Unallocated operating income and expenses	(117,340)	(82,996)
Consolidated profit before taxation	1,182,982	927,138
Assets		
Reportable segment assets	9,480,716	7,560,144
Elimination of inter-segment receivables	(73,193)	(90,753)
Deferred tax assets	51,371	48,589
Unallocated assets	101,284	209,202
Consolidated total assets	9,560,178	7,727,182
Liabilities		
Reportable segment liabilities	4,207,511	3,270,398
Elimination of inter-segment payables	(73,193)	(90,753)
Income tax liabilities	29,707	75,173
Deferred tax liabilities	111,526	101,328
Unallocated liabilities	275,957	293,197
Consolidated total liabilities	4,551,508	3,649,343

Notes to the Financial Statements

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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
PRC (place of domicile)	5,686,865	4,462,847	2,094,495	1,865,096
United States	909,063	741,423	–	–
European countries	1,978,810	2,054,285	343,432	369,975
Asian countries (other than PRC)	1,208,015	694,178	–	–
Other American countries	111,856	96,030	–	–
Other countries	86,853	34,132	–	–
	4,294,597	3,620,048	343,432	369,975
	9,981,462	8,082,895	2,437,927	2,235,071

For the year ended 31 December 2013, there was no single external customer that accounted for 10% or more of the Group's total turnover (2012: nil).

Notes to the Financial Statements

14 Property, plant and equipment The Group

	Land and buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
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	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	<u>1,206,761</u>	<u>1,737</u>	<u>923,628</u>	<u>66,187</u>	<u>167,046</u>	<u>2,365,359</u>
At 1 January 2013	1,206,761	1,737	923,628	66,187	167,046	2,365,359
Additions	1,055	–	43,822	9,699	8,535	63,111
Disposals	(3,411)	–	(5,603)	(6,985)	(3,691)	(19,690)
Transfers from construction in progress	134,795	–	129,867	3,994	9,586	278,242
Exchange adjustment	4,118	–	3,116	205	344	7,783
At 31 December 2013	<u>1,343,318</u>	<u>1,737</u>	<u>1,094,830</u>	<u>73,100</u>	<u>181,820</u>	<u>2,694,805</u>
Accumulated depreciation:						
At 1 January 2012	(176,189)	(803)	(374,106)	(32,201)	(82,966)	(666,265)
Acquisition through business combination	(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	<u>(207,896)</u>	<u>(1,026)</u>	<u>(440,786)</u>	<u>(40,731)</u>	<u>(99,805)</u>	<u>(790,244)</u>
At 1 January 2013	(207,896)	(1,026)	(440,786)	(40,731)	(99,805)	(790,244)
Charge for the year	(46,323)	(154)	(73,420)	(7,996)	(19,372)	(147,265)
Written back on disposals	568	–	4,326	6,346	3,275	14,515
Exchange adjustment	(1,492)	–	(2,789)	(142)	(323)	(4,746)
At 31 December 2013	<u>(255,143)</u>	<u>(1,180)</u>	<u>(512,669)</u>	<u>(42,523)</u>	<u>(116,225)</u>	<u>(927,740)</u>
Net book value:						
At 31 December 2013	<u>1,088,175</u>	<u>557</u>	<u>582,161</u>	<u>30,577</u>	<u>65,595</u>	<u>1,767,065</u>
At 31 December 2012	<u>998,865</u>	<u>711</u>	<u>482,842</u>	<u>25,456</u>	<u>67,241</u>	<u>1,575,115</u>

As at 31 December 2013, the Group was in the process of registering the title of buildings with net book value of RMB208,746,000 (2012: RMB434,244,000).

No property, plant and equipment is restricted or pledged as security for liabilities as at 31 December 2013 (2012: nil).

Notes to the Financial Statements

15 Construction in progress

	The Group	
	2013 RMB'000	2012 RMB'000
At 1 January	187,586	274,773
Additions	165,268	377,284
Transfers to property, plant and equipment	(278,242)	(464,480)
Exchange adjustment	(4)	9
At 31 December	<u>74,608</u>	<u>187,586</u>

During the year, the Group has capitalised borrowing costs amounting to RMB3,812,000 (2012: RMB3,573,000) on qualifying assets.

16 Lease prepayments

	The Group	
	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	355,471	299,393
Acquisition through business combination	–	2,737
Additions	29,387	62,285
Disposals	(8,835)	(8,944)
At 31 December	<u>376,023</u>	<u>355,471</u>
Accumulated amortisation:		
At 1 January	(27,198)	(22,327)
Acquisition through business combination	–	(273)
Charge for the year	(8,296)	(6,480)
Written back on disposals	1,001	1,882
At 31 December	<u>(34,493)</u>	<u>(27,198)</u>
Net book value:		
At 31 December	<u>341,530</u>	<u>328,273</u>

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 34 to 50 years as at 31 December 2013 (2012: 35 to 48 years).

Notes to the Financial Statements

17 Intangible assets

	The Group	
	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	185,357	70,033
Acquisition through business combination	–	89,621
Additions	7,933	23,560
Exchange adjustment	1,361	2,143
At 31 December	194,651	185,357
Accumulated amortisation:		
At 1 January	(51,381)	(36,440)
Charge for the year	(19,499)	(14,426)
Exchange adjustment	(551)	(515)
At 31 December	(71,431)	(51,381)
Net book value:		
At 31 December	123,220	133,976

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 Investment in an associate

On 15 August 2013, Shijiazhuang Enric Gas Equipment Company Limited ("EGE"), a subsidiary of the Group, and Kunlun Energy (Gansu) Company Limited ("Kunlun Energy") entered into an agreement to incorporate Jiuquan Enric Kunlun Cryogenic Equipment Limited ("EKCE"). Pursuant to the agreement, EGE and Kunlun Energy contributed 40% and 60%, respectively, of the paid-in capital of EKCE, which amounted to RMB10,000,000 as at 31 December 2013. EGE's interest in EKCE was accounted for using the equity method. During the year ended 31 December 2013, EKCE has not yet undertaken any business activities; therefore, the Group has not recognised any share of post-tax results in EKCE.

There are no contingent liabilities relating to the Group's interest in the associate.

Notes to the Financial Statements

19 Investments in subsidiaries

	The Company	
	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	4,144,571	4,274,331

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		Principal activities
			Held by the Company	Held by a subsidiary	
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 USD1,000	100%	–	Investment holding
Shijiazhuang Enric Gas Equipment Company Limited	PRC 30 September 2003	Registered and paid-in capital of USD32,000,000	–	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

Notes to the Financial Statements

19 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of HKD115,000,000	–	100%	Provision of integrated business solutions for gas equipment
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment
CIMC Enric (Jingmen) Energy Equipment Company Limited	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd ("Hongtu") (i)	PRC 29 October 2004	Registered and paid-in capital of RMB100,000,000	–	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 HKD10,000	100%	–	Investment holding
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Authorised capital of HKD10,000 and paid-in capital of HKD10,000	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

Notes to the Financial Statements

19 Investments in subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("CIMC Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB144,862,042	–	100%	Design, production, sales and technical service of cryogenic storage and transportation equipment
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd. (i)	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 EUR20,000,000 and paid-in capital of EUR14,038,200	–	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

Notes to the Financial Statements

19 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
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
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
CIMC Enric SJZ Gas Equipment, INC.	USA 14 February 2013	Registered and paid-in capital of USD900,000	–	100%	Manufacture and sale of pressure vessels

- (i) The Group's effective interests in Hongtu, Zhangjiagang Greenergy Cryogenic Engineering Company Limited and Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd are 80%, 90% and 90% respectively.

Notes to the Financial Statements

20 Goodwill

	The Group	
	2013 RMB'000	2012 RMB'000
Cost		
At 1 January	129,341	42,783
Acquisition through business combination	–	86,558
At 31 December	<u>129,341</u>	<u>129,341</u>

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

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

	The Group	
	2013 RMB'000	2012 RMB'000
Cost		
CIMC Sanctum	8,297	8,297
Nantong Tank	7,265	7,265
Hongtu	27,221	27,221
YPDI	86,558	86,558
At 31 December	<u>129,341</u>	<u>129,341</u>

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% (2012: 6.55%). 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 2013 and 2012. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Notes to the Financial Statements

21 Other Financial Assets

	The Group	
	2013 RMB'000	2012 RMB'000
Available-for-sale equity securities – Unlisted	<u>59</u>	<u>59</u>

22 Derivative Financial Instruments

At 31 December 2013, the Group held forward foreign currency contracts to manage the currency risk on expected future payments to suppliers for which the Group has firm commitments. At 31 December 2013, the fair value of these forward foreign currency contracts recognised was RMB1,104,000 (2012: RMB15,000).

23 Inventories

(a) Inventories in the balance sheet comprise:

	The Group	
	2013 RMB'000	2012 RMB'000
Raw materials	747,960	724,437
Consignment materials	95,533	54,439
Work in progress	828,958	666,997
Finished goods	<u>710,830</u>	<u>528,422</u>
	<u>2,383,281</u>	<u>1,974,295</u>

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

	The Group	
	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	6,347,183	5,296,070
Write-down of inventories	1,309	3,467
Reversal of write-down of inventories	<u>(1,420)</u>	<u>(1,952)</u>
	<u>6,347,072</u>	<u>5,297,585</u>

Notes to the Financial Statements

24 Trade and Bill Receivables

	The Group	
	2013 RMB'000	2012 RMB'000
Trade debtors and bill receivables	2,343,734	1,904,693
Less: allowance for doubtful debts (note 24(b))	(59,392)	(63,146)
	<u>2,284,342</u>	<u>1,841,547</u>

(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	
	2013 RMB'000	2012 RMB'000
Current	1,633,517	1,484,583
Less than 1 month past due	227,878	82,773
1 to 3 months past due	108,794	53,889
More than 3 months but less than 12 months past due	238,573	142,376
More than 12 months past due	75,580	77,926
Amounts past due	<u>650,825</u>	<u>356,964</u>
	<u>2,284,342</u>	<u>1,841,547</u>

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.

Notes to the Financial Statements

24 Trade and Bill Receivables *(Continued)*

(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(m)(ii)).

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

	The Group	
	2013 RMB'000	2012 RMB'000
At 1 January	63,146	55,496
Acquisition through business combination	–	1,022
Impairment loss recognised	4,814	17,447
Reversal of provision	(7,998)	(11,168)
Uncollectible amounts written off	(895)	(109)
Exchange adjustment	325	458
	<u>59,392</u>	<u>63,146</u>
At 31 December	<u>59,392</u>	<u>63,146</u>

At 31 December 2013, the Group's trade receivables of RMB135,254,000 (2012: RMB203,882,000) 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 RMB59,392,000 (2012: RMB63,146,000) 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	
	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	1,633,517	1,484,583
Less than 1 month past due	210,190	68,014
1 to 3 months past due	104,804	32,421
More than 3 months but less than 12 months past due	206,471	63,821
More than 12 months past due	53,498	51,972
	<u>574,963</u>	<u>216,228</u>
	<u>2,208,480</u>	<u>1,700,811</u>

Notes to the Financial Statements

24 Trade and Bill Receivables *(Continued)*

(c) Trade and bill receivables that are not impaired *(Continued)*

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	
	2013 RMB'000	2012 RMB'000
Advances to suppliers	170,643	114,764
Deposits for tenders, contract work and equipment purchase	76,638	28,649
Staff advances	10,667	12,287
Deductible input value-added tax ("VAT")	20,545	24,245
Prepayments for services	57,895	8,427
Gross amount due from customers for contract work	288,026	265,826
Others	32,286	6,772
	656,700	460,970

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 2013 and 2012 are RMB547,165,000 and RMB788,682,000 respectively.

No gross amount due from/to customers for contract work at 31 December 2013 and 2012 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 2013 and 2012 are RMB8,889,000 and RMB26,388,000 respectively. The amount of retentions is expected to be recovered within one year.

Notes to the Financial Statements

27 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

As at 31 December 2013, RMB128,433,000 (2012: RMB56,893,000) are restricted bank deposits with maturity of more than three months.

(b) Cash and cash equivalents

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash in hand and demand deposits	1,533,192	945,475	12,092	18,126
Restricted bank deposits within three months of maturity	503	8,017	–	–
Cash and cash equivalents (as shown in the balance sheet)	1,533,695	953,492	12,092	18,126

Cash and cash equivalents as shown in the statement of cash flows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	1,533,695	953,492	12,092	18,126
Bank overdrafts	(1,505)	(184)	–	–
Cash and cash equivalents (as shown in the statement of cash flows)	1,532,190	953,308	12,092	18,126

Notes to the Financial Statements

28 Bank Loans and Overdrafts

At 31 December 2013, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year or on demand	134,493	263,160	82,554	72,977
After 1 year but within 2 years	35,380	137,081	35,380	121,627
After 2 years but within 5 years	1,000	–	–	–
	36,380	137,081	35,380	121,627
	170,873	400,241	117,934	194,604

At 31 December 2013, the bank loans and overdrafts, all of which are unsecured composed:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Bank overdrafts	1,505	184	–	–
Bank loans	169,368	400,057	117,934	194,604
	170,873	400,241	117,934	194,604

The Group's bank loans of RMB169,368,000 (2012: RMB400,057,000) and the Company's bank loans of RMB117,934,000 (2012: RMB194,604,000) were under the terms of cross-guarantee provided by subsidiaries of the Company. The annual rate of interest charged on the bank loans ranged from 1.98% to 6.89% for the year ended 31 December 2013 (2012: 2.00% to 6.89%).

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 2013, none of the covenants relating to drawn down facilities had been breached (2012: nil).

Notes to the Financial Statements

29 Trade and Bill Payables

	The Group	
	2013 RMB'000	2012 RMB'000
Trade creditors	1,476,987	1,153,218
Bills payable	337,753	198,200
	1,814,740	1,351,418

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

	The Group	
	2013 RMB'000	2012 RMB'000
Within 3 months	1,601,438	1,268,128
3 months to 12 months	187,072	63,256
Over 12 months	26,230	20,034
	1,814,740	1,351,418

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

30 Other Payables and Accrued Expenses

	The Group	
	2013 RMB'000	2012 RMB'000
Advances from customers	1,283,563	742,407
Payables for construction work	98,987	99,898
Accrued expenses	72,685	112,237
Employees' salary, bonus and welfare	330,197	228,055
Other surcharges payable	48,857	16,367
Cash consideration payable for acquisition	–	21,526
Other taxes payable	38,676	50,195
Directors' remuneration	288	238
Deposits received	32,223	25,169
Others	29,492	33,725
	1,934,968	1,329,817

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

Notes to the Financial Statements

31 Provisions

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
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	<u>70,238</u>	<u>–</u>	<u>70,238</u>
At 1 January 2013	70,238	–	70,238
Additional provision made	42,780	–	42,780
Provisions utilised	(26,608)	–	(26,608)
Exchange adjustment	(1,443)	–	(1,443)
At 31 December 2013	<u>84,967</u>	<u>–</u>	<u>84,967</u>

	The Group		
	Warranty provision RMB'000	Restructuring provision RMB'000	Total RMB'000
Represented by:			
Current portion	20,181	–	20,181
Non-current portion	50,057	–	50,057
Balance at 31 December 2012	<u>70,238</u>	<u>–</u>	<u>70,238</u>
Current portion	41,603	–	41,603
Non-current portion	43,364	–	43,364
Balance at 31 December 2013	<u>84,967</u>	<u>–</u>	<u>84,967</u>

Notes to the Financial Statements

31 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.

32 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 in 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 at 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 and 30% 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 and 50% 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 and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	<u>81,950,000</u>		

Notes to the Financial Statements

32 Equity-Settled Share-Based Transactions *(Continued)*

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

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HKD3.22	71,546,000	HKD3.26	78,700,000
Forfeited during the year	HKD2.48	(1,070,000)	HKD2.48	(1,280,000)
Exercised during the year	HKD3.64	(11,838,000)	HKD4.00	(5,774,000)
Lapsed during the year		–	HKD4.00	(100,000)
Outstanding at the end of the year	HKD3.14	<u>58,638,000</u>	HKD3.22	<u>71,546,000</u>
Exercisable at the end of the year		<u>37,128,000</u>		<u>34,626,000</u>

The options outstanding at 31 December 2013 had an exercise price of HKD2.48 or HKD4.00 (2012: HKD2.48 or HKD4.00) and a weighted average remaining contractual life of 6.97 years (2012: 7.88 years).

(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%

Notes to the Financial Statements

32 Equity-Settled Share-Based Transactions *(Continued)*

(c) Fair value of share options and assumptions *(Continued)*

Fair value of share options and assumptions (Continued)

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.

33 Income Tax in the Balance Sheet

(a) Current taxation in the balance sheet:

	The Group	
	2013 RMB'000	2012 RMB'000
Current tax payable at the beginning of the year	75,173	19,803
Provision for income tax on profit for the year	195,220	193,123
Current tax paid	(240,729)	(140,718)
Addition through business combination	–	2,924
Exchange adjustment	43	41
Current tax payable at the end of the year	<u>29,707</u>	<u>75,173</u>

Notes to the Financial Statements

33 Income Tax in the Balance Sheet *(Continued)*

(b) Deferred tax assets and liabilities recognised:

	The Group	
	2013 RMB'000	2012 RMB'000
Deferred tax assets recognised in the consolidated balance sheet	51,371	48,589
Deferred tax liabilities recognised in the consolidated balance sheet	(111,526)	(101,328)
Deferred tax liabilities (net)	(60,155)	(52,739)

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 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	-	(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)
At 1 January 2013	10,196	(61,338)	10,248	(3,458)	(313)	(27,965)	26,388	(2)	1,757	(8,252)	(52,739)
(Charged)/credited to the income statement	(219)	19,829	1,466	109	-	(31,088)	1,546	(162)	(33)	1,456	(7,096)
Exchange adjustment	-	(271)	-	-	-	-	-	-	22	(71)	(320)
At 31 December 2013	9,977	(41,780)	11,714	(3,349)	(313)	(59,053)	27,934	(164)	1,746	(6,867)	(60,155)

Notes to the Financial Statements

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(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB14,933,000 (2012: RMB24,693,000) 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

Temporary differences relating to undistributed profits of subsidiaries for the year amounted to RMB526,150,000 (2012: RMB557,700,000). Deferred tax liabilities of RMB37,830,000 (2012: RMB36,791,000) 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	
	2013 RMB'000	2012 RMB'000
At 1 January	243,988	138,132
Received during the year	46,463	129,486
Recognised in the income statement	(22,238)	(23,630)
At 31 December	<u>268,213</u>	<u>243,988</u>

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 their 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.

Notes to the Financial Statements

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 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 32)	-	-	-	11,244	-	-	11,244
At 31 December 2012 and 1 January 2013	17,282	197,080	4,652,862	62,906	(427,595)	47,026	4,549,561
2012 final dividend paid	-	(105,993)	-	-	-	-	(105,993)
Total comprehensive income for the year	-	-	-	-	(139,492)	189,478	49,986
Issuance of shares in connection with exercise of share options	94	48,327	-	(13,975)	-	-	34,446
Equity-settled share-based transactions (note 32)	-	-	-	9,554	-	-	9,554
At 31 December 2013	17,376	139,414	4,652,862	58,485	(567,087)	236,504	4,537,554

Notes to the Financial Statements

36 Capital and Reserves (Continued)

(b) Share capital

	2013		2012	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of the Company of HKD0.01 each (i)	<u>10,000,000,000</u>		<u>10,000,000,000</u>	
Non-redeemable convertible preference shares of the Company of HKD0.01 each (ii)	<u>2,000,000,000</u>		<u>2,000,000,000</u>	
Issued and fully paid:				
Ordinary shares	1,890,705,522	17,376	1,383,867,522	12,918
Non-redeemable convertible preference shares	–	–	495,000,000	4,364
At 31 December	<u>1,890,705,522</u>	<u>17,376</u>	<u>1,878,867,522</u>	<u>17,282</u>

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

	2013		2012	
	Number of shares of HKD0.01 each	RMB'000	Number of shares of HKD0.01 each	RMB'000
Ordinary Shares				
At 1st January	1,383,867,522	12,918	857,452,201	8,282
Issue of shares upon conversion of convertible preference shares	495,000,000	4,364	520,641,321	4,589
Exercise of share options (note 32)	11,838,000	94	5,774,000	47
At 31st December	<u>1,890,705,522</u>	<u>17,376</u>	<u>1,383,867,522</u>	<u>12,918</u>
Non-redeemable convertible preference shares				
At 1st January	495,000,000	4,364	1,015,641,321	8,953
Conversion to ordinary shares	(495,000,000)	(4,364)	(520,641,321)	(4,589)
At 31st December	<u>–</u>	<u>–</u>	<u>495,000,000</u>	<u>4,364</u>

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 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;
- (b) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and 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; and
- (c) the registered capital of Nantong Transport acquired of RMB69,945,550; and 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.

(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(u)(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(y).

(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.

Notes to the Financial Statements

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 2013, the Company had RMB4,461,693,000 available for distribution to equity shareholders of the Company (2012: RMB4,469,373,000).

(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 2012, 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.

Notes to the Financial Statements

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	2013 RMB'000	2012 RMB'000
Current liabilities			
Bank loans and overdrafts	28	134,493	263,160
Trade and bill payables	29	1,814,740	1,351,418
Other payables and accrued expenses	30	1,934,968	1,329,817
Amounts due to related parties	39(c)	134,625	75,395
		4,018,826	3,019,790
Non-current liabilities			
Bank loans	28	36,380	137,081
Total debt		4,055,206	3,156,871
Less: Cash and cash equivalents	27	(1,532,190)	(953,308)
Net debt		2,523,016	2,203,563
Total equity			
Less: Proposed dividends	11	(178,377)	(105,993)
Adjusted capital		4,830,293	3,971,846
Net debt to adjusted capital ratio		52%	55%

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

Notes to the Financial Statements

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.

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 2013 not provided for in the financial statements are as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Contracted for – Production facilities	49,198	90,611

At 31 December 2013 and 2012, the Company had no capital commitment.

(b) At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	10,586	7,275	732	669
After 1 year but within 5 years	8,714	19,242	–	–
After 5 years	6,836	7,120	–	–
	26,136	33,637	732	669

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.

Notes to the Financial Statements

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	
	2013 RMB'000	2012 RMB'000
Sales (i)	479,482	376,495
Purchases (ii)	290,249	111,905
Management charges (iii)	–	2,457
Comprehensive charges (iv)	5,060	2,927
Processing charges (v)	21,526	14,345
Processing income (vi)	4,490	24,722
Technology licence income (vii)	6,243	4,880
Office services income (viii)	6,226	7,723
Research and development charges (ix)	–	1,495
Loans from a related party (x)	71,000	20,000
Loan interest (x)	765	33
Payment for equity investment (notes 2(b))	–	37,555

- (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 loans are unsecured, interest bearing from 5.35% to 6.00% (2012: 5.646%) per annum and are repayable within one year.

Notes to the Financial Statements

39 Material Related Party Transactions *(Continued)*

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

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.

(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:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	15,369	15,602
Equity compensation benefits	2,492	2,382
	<u>17,861</u>	<u>17,984</u>

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

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

	The Group	
	2013 RMB'000	2012 RMB'000
Trade receivables for products sold	81,429	37,031
Trade payables for raw material purchased and receipts in advance for sales	(83,625)	(55,362)
Loans from a related party	(51,000)	(20,033)
	<u>(51,000)</u>	<u>(20,033)</u>

Notes:

- (i) Except for the loans, the outstanding balances with these related parties are unsecured, interest free and repayable on demand. The loans are unsecured, interest bearing from 5.35% to 6.00% (2012: 5.646%) per annum and are repayable within a year.
- (ii) No provisions for bad or doubtful debts have been made in respect of these outstanding receivable balances.

Notes to the Financial Statements

40 Amounts due from/to Subsidiaries

At 31 December 2013, amounts due from subsidiaries of the Company represent cash advances to and/or dividend receivable from Enric Investment Group Limited, CIMC Enric Hong Kong Limited, and Sound Winner Holdings Limited. At 31 December 2013, amounts due to subsidiaries represent cash advances from Win Score Investments Limited, Charm Ray Holdings Limited and Full Medal Limited. These amounts are unsecured, interest-free and repayable on demand.

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.

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 2.67% (2012: 3.17%) and 11.70% (2012: 6.12%) 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.

Notes to the Financial Statements

41 Financial Risk Management and Fair Values *(Continued)*

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the balance sheet date of the Group's 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	2013				2012			
	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	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and overdrafts	139,739	37,263	177,002	170,873	276,766	141,270	418,036	400,241
Bill payables, creditors and accrued expenses	3,749,708	–	3,749,708	3,749,708	2,681,235	–	2,681,235	2,681,235
Amounts due to related parties	137,397	–	137,397	134,625	76,524	–	76,524	75,395
	<u>4,026,844</u>	<u>37,263</u>	<u>4,064,107</u>	<u>4,055,206</u>	<u>3,034,525</u>	<u>141,270</u>	<u>3,175,795</u>	<u>3,156,871</u>

The Company	2013				2012			
	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	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	84,684	36,201	120,885	117,934	74,873	124,788	199,661	194,604
Other creditors and accrued expenses	10,847	–	10,847	10,847	2,177	–	2,177	2,177
Amounts due to subsidiaries	99,906	–	99,906	99,906	69,834	–	69,834	69,834
	<u>195,437</u>	<u>36,201</u>	<u>231,638</u>	<u>228,687</u>	<u>146,884</u>	<u>124,788</u>	<u>271,672</u>	<u>266,615</u>

Notes to the Financial Statements

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	2013		2012	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	1.31%	1,532,636	1.72%	947,080
Bank loans	3.62%	(169,368)	4.45%	(400,057)
Bank overdrafts	1.98%	(1,505)	4.14%	(184)

The Company	2013		2012	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	0.03%	60,194	0.02%	18,126
Bank loans	2.50%	(117,934)	2.60%	(194,604)

(ii) Sensitivity analysis

At 31 December 2013, 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 RMB5,107,000 (2012: RMB2,051,000). At 31 December 2013, 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 Company's profit after tax and retained profits by approximately RMB217,000 (2012: RMB662,000). 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 2012.

Notes to the Financial Statements

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 2013					
	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bill receivables	–	319,331	–	6,179	–	3,440
Deposits, other receivables and prepayments	–	6,453	–	8,640	75	–
Cash and cash equivalents	204	193,286	10,627	32,858	–	–
Restricted bank deposits	–	6,813	–	–	–	–
Advance from customers	–	(72,154)	–	(2,574)	–	–
Trade and bill payables	–	(19,159)	–	(2,811)	(41,692)	(10,267)
Other payables and accrued expenses	–	(34,990)	–	(153)	–	–
Bank loans	–	–	–	–	–	–
Overall net exposure	204	399,580	10,627	42,139	(41,617)	(6,827)

Notes to the Financial Statements

41 Financial Risk Management and Fair Values *(Continued)*

(d) Currency risk *(Continued)*

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

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	<u>2,942</u>	<u>253,351</u>	<u>27,120</u>	<u>15,570</u>	<u>(50,555)</u>	<u>(5,846)</u>

The Company

	Exposure to foreign currencies	
	2013	2012
	RMB RMB'000	RMB RMB'000
Cash and cash equivalents	204	2,922
Deposits, other receivables and prepayments	–	20
Overall net exposure	<u>204</u>	<u>2,942</u>

Notes to the Financial Statements

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	2013		2012	
	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% (5%)	8 (8)	5% (5%)	110 (110)
USD	5% (5%)	14,984 (14,984)	5% (5%)	9,501 (9,501)
HKD	5% (5%)	399 (399)	5% (5%)	1,017 (1,017)
Euro	5% (5%)	1,580 (1,580)	5% (5%)	584 (584)
GBP	5% (5%)	(1,561) 1,561	5% (5%)	1,896 (1,896)
DKK	5% (5%)	(256) 256	5% (5%)	219 (219)

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 2012.

Notes to the Financial Statements

41 Financial Risk Management and Fair Values *(Continued)*

(e) Fair value

(i) *Financial instruments carried at fair value*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

2013	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments:				
– Forward exchange contracts	–	1,104	–	1,104
	<u>–</u>	<u>1,104</u>	<u>–</u>	<u>1,104</u>

2012	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments:				
– Forward exchange contracts	–	15	–	15
	<u>–</u>	<u>15</u>	<u>–</u>	<u>15</u>

During the years ended 31 December 2013 and 2012, 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 2013 and 2012.

Notes to the Financial Statements

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 2013 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2013	2012
Loans and borrowings	<u>1.98%–6.89%</u>	<u>2.00% – 6.89%</u>

42 Immediate and Ultimate Controlling Party

At 31 December 2013, the Directors consider the immediate parent of the Company to be China International Marine Containers (Hong Kong) Limited ("CIMC HK"), which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2013, 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.

Notes to the Financial Statements

43 Events after the balance sheet date

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law"), "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which the Company is regarded as a Chinese Resident Enterprise, effective from the year 2013.

Pursuant to the Enterprise Income Tax Law and the "Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China", the Company is required to withhold and pay 10% enterprise income tax when it distributes the 2013 Final Dividend and dividends in subsequent years to its non-resident enterprise shareholders. The withholding and payment obligation lies with the Company. Therefore, the Company will implement enterprise income tax withholding and payment when it distributes the 2013 Final Dividend and dividends in subsequent years.

44 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 December 2013

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 2013 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
Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities"	1 January 2014
Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement'	1 January 2014
HK(IFRIC) 21 'Levies'	1 January 2014
HKFRS 9 "Financial Instruments"	1 January 2015
In the New Companies Ordinances, the Tenth Schedule has been replaced by Schedule 4. The New Companies Ordinance deletes disclosure requirements already dealt with in HKFRSs and has new requirement to disclose the company's balance sheet in a set of consolidated financial statements as a note to the consolidated financial statements	3 March 2014

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 Director

Jin Yongsheng

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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Shenzhen, Guangdong
The PRC

Principal Place of Business in Hong Kong

Unit 908, 9th Floor
Fairmont House
No. 8 Cotton Tree Drive
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisor

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

Principal Bankers

Agricultural Bank of China
Bank of Communications
Bank of China
China Construction Bank
Taipei Fubon Bank

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

Stock Code

03899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

Glossary

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

“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 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
“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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