CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3899

THE 10th ANNIVERSARY OF LISTING

ANNUAL REPORT 2014

Vision

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

Mission

To contribute to the technological advancement and industrial development for the global energy, chemical and liquid food equipment markets; to maximise value for the company's stakeholders; to contribute to greener, cleaner and better living.

About Us

Founded in 2004, CIMC Enric has been listed in the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group.

Our production bases and R&D centres are located in various countries including China, the Netherlands, Germany, Belgium and Denmark, shaping an interactive and complementary business model across China and Europe. Our sales and marketing network spans across the world.

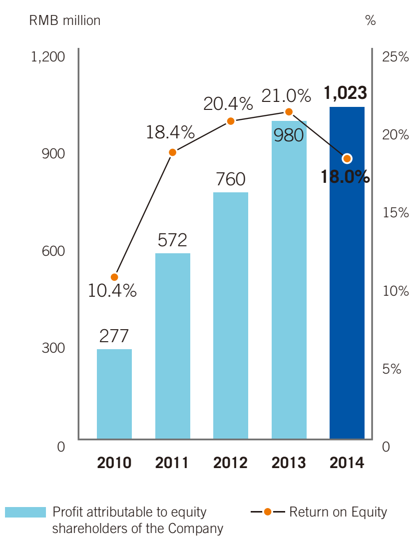
Contents

Five-year Financial Summary

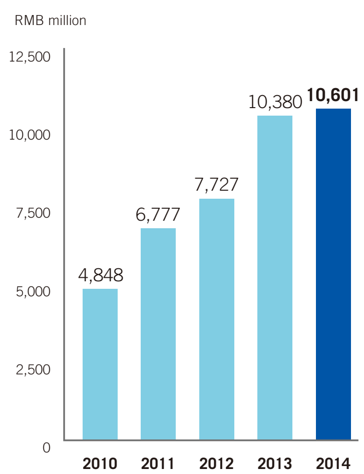
	For the year ended 31 December				
	2014 RMB'000	2013 RMB'000 (restated)	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	**11,197,670**	10,171,813	8,082,895	6,828,964	3,998,617
Profit from operations	**1,216,924**	1,230,512	946,003	738,799	377,698
Finance costs	**(33,496)**	(35,188)	(18,865)	(12,465)	(11,697)
Share of post-tax loss of associates	**(1,497)**	–	–	–	–
Profit before taxation	**1,181,931**	1,195,324	927,138	726,334	366,001
Income tax expenses	**(146,868)**	(207,584)	(161,562)	(147,294)	(83,589)
Profit for the year	**1,035,063**	987,740	765,576	579,040	282,412
Attributable to:					
Equity shareholders of the Company	**1,023,330**	979,595	759,863	571,509	276,901
Non-controlling interests	**11,733**	8,145	5,713	7,531	5,511
Profit for the year	**1,035,063**	987,740	765,576	579,040	282,412
Earnings per share					
– Basic	**RMB0.529**	RMB0.509	RMB0.405	RMB0.305	RMB0.148
– Diluted	**RMB0.519**	RMB0.498	RMB0.401	RMB0.305	RMB0.148

	As at 31 December				
	2014 RMB'000	2013 RMB'000 (restated)	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**10,601,282**	10,379,864	7,727,181	6,777,051	4,848,476
Total liabilities	**(4,485,139)**	(5,056,848)	(3,649,342)	(3,346,311)	(2,033,833)
Net assets	**6,116,143**	5,323,016	4,077,839	3,430,740	2,814,643

Return on equity



Total assets at 31 December



Financial Highlights

	As at 31 December		
	2014 RMB'000	2013 RMB'000 (restated)	+/–
FINANCIAL POSITION			
Total assets	**10,601,282**	10,379,864	+2.1%
Net assets	**6,116,143**	5,323,016	+14.9%
Net current assets	**3,559,258**	2,893,681	+23.0%
Cash and cash equivalents	**1,677,737**	1,542,585	+8.8%
Bank loans and other borrowings	**195,722**	556,685	–64.8%
Gearing ratio[1]	**3.2%**	10.5%	–7.3 ppt

	For the year ended 31 December		
	2014 RMB'000	2013 RMB'000 (restated)	+/–
OPERATING RESULTS			
Turnover	**11,197,670**	10,171,813	+10.1%
Gross profit	**2,100,591**	2,075,366	+1.2%
EBITDA	**1,411,734**	1,417,269	–0.4%
Profits from operations	**1,216,924**	1,230,512	–1.1%
Profit attributable to equity shareholders	**1,023,330**	979,595	+4.5%
PER SHARE DATA			
Earnings per share – Basic	**RMB0.529**	RMB0.509	+3.9%
Earnings per share – Diluted	**RMB0.519**	RMB0.498	+4.2%
Net asset value per share	**RMB3.167**	RMB2.815	+12.5%
KEY STATISTICS			
GP ratio	**18.8%**	20.4%	–1.6 ppt
EBITDA margin	**12.6%**	13.9%	–1.3 ppt
Operating profit margin	**10.9%**	12.1%	–1.2 ppt
Net profit margin[2]	**9.1%**	9.6%	–0.5 ppt
Return on equity[3]	**18.0%**	21.0%	–3.0 ppt
Interest coverage – times	**40.1**	38.8	+1.3
Inventory turnover days	**89**	101	–12
Debtor turnover days	**91**	77	+14
Creditor turnover days	**74**	72	+2

Notes:

1 Gearing ratio = Bank loans and other borrowings/Total equity

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

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

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

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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

Principal Place of Business in Hong Kong

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

Auditor

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
Rabobank

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
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Important Dates

Annual General Meeting

20 May 2015

Closure of Register of Members for the 2014 Final Dividend of HKD0.195 per ordinary share

28 May 2015 to 1 June 2015 (both dates inclusive)

Payment of the 2014 Final Dividend

on or about 22 June 2015

Stock Code

3899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

OVERALL STRATEGIES

From equipment manufacturing to turnkey project capability to provision of integrated solution, in order to provide customers with comprehensive products and services and promote industry development

Dear Shareholders and Partners,

Whilst 2014 was a challenging year for CIMC Enric, we demonstrated the strength of our core competitiveness and ended the year with solid financial performance. We strive to become a world-leading manufacturer of specialised equipment and provider of project engineering services in energy, chemical and liquid food industries.

Acquisition of NCLS in 2014

On the basis of continued organic growth, we have focused on our acquisition strategy. In the second half of 2014, we acquired the entire interests of NCLS to further expand our liquid food equipment business.

NCLS produces and sells tanks for the liquid food industry as well as offers turnkey solution for brewing in China and other Asian countries. As our liquid food equipment business originates in Europe, through the acquisition of NCLS, the liquid food equipment segment is able to enjoy the relatively lower costs of production and operation in China than in Europe. Other than the production capacity of the segment in China has been boosted, the acquisition also accelerates the segment's business development in the market of China.

Results of the Year (Figures of 2013 restated)

Net profit attributable to equity shareholders for 2014 rose by 4.5% to RMB1,023,330,000 (2013: RMB979,595,000). Basic earnings per share was RMB0.529 (2013: RMB0.509) and diluted earnings per share was RMB0.519 (2013: RMB0.498).

Turnover rose by 10.1% to RMB11,197,670,000 (2013: RMB10,171,813,000). Our largest segment – the energy equipment segment – remained stable with turnover of RMB5,422,026,000 (2013: RMB5,371,550,000). The steadily recovering global economy helped chemical equipment segment to record a modest growth of 7.1% rising to RMB3,313,910,000 (2013: RMB3,092,929,000). The liquid food equipment segment's turnover increased by 44.2% to RMB2,461,734,000 (2013: RMB1,707,334,000), mainly due to our ability to provide full range of turnkey projects for breweries after the acquisition of certain assets from Ziemann Group in the second half of 2012 with the synergy becoming more obvious in 2014.

2014 Final Dividend

Having taken into account our continued business growth and long-term future development, the Board is pleased to propose a higher dividend payout for 2014 to reflect our efforts to increase return on equity.

The Board recommends a final dividend in respect of 2014 of HKD0.195 (2013: HKD0.12) per ordinary share payable in cash on or about 22 June 2015 to shareholders whose names appear on the register of members of the Company on 1 June 2015, subject to shareholders' approval in the forthcoming annual general meeting on 20 May 2015.

Market Recognitions

CIMC Enric is honoured to be continuously recognised by the market. Each of the following recognitions endorses the public's confidence in us.

- Since March 2013, CIMC Enric has been included as a constituent of Hang Seng Global Composite Index and Hang Seng Composite Index Series;
- Since March 2014, CIMC Enric has been selected as a constituent of FTSE Hong Kong Index and FTSE Hong Kong ex H Share Index;
- In July 2014, as released by Fortune China magazine, CIMC Enric ranked 439 in the list of China's Fortune 500 companies (2013: ranked 450); and
- Since November 2014, CIMC Enric has been included as eligible listed shares for Southbound trading of Shanghai-Hong Kong Stock Connect.

Prospects

The global economy expanded during 2014 at a moderate and uneven pace. It is estimated that the global GDP growth of 2014 would be approximately 2.6%, which is a bit lower than the estimates of major international financial organisations at the beginning of the year. The GDP of China recorded a growth of 7.4% in 2014, also representing its slowest growth in more than two decades.

Looking ahead, the Chinese government has expected a slower but greener and more sustainable "new normal" growth of economy. The Chinese government estimated the GDP growth of China to be around 7% in 2015, while the global GDP growth is estimated to be around 3% by major international financial organisations. Despite the economic challenges persist, we remain prudently optimistic about the outlook of the sectors we are engaged in.

Energy equipment

The most critical issues of the natural gas industry in 2014 included the Chinese government's natural gas pricing reforms and the significant decline in international oil price. On 28 February 2015, the National Development and Reform Commission of China announced the adjustment of the city-gate tariff for non-residential gas, with the merging of the base-volume tariff and incremental-volume tariff. With effect from 1 April 2015, the base-volume tariff will increase by RMB0.02-0.04/m3 but the incremental-volume tariff will drop significantly by RMB0.44/m3. It is a strong indication that the Chinese government determines to cut the natural gas price to a level that makes natural gas competitive with other alternative fuels in the short term. In case the oil price remains weak in a longer term, it is expected that the Chinese government would continue to follow the gas price linkage formula, which would maintain the natural gas price competitiveness in China. We believe that our energy equipment segment will benefit from the recent natural gas price cut, nevertheless the natural gas industry will continue to encounter challenges in 2015. Given the absolute environmental benefits of natural gas over other fossil fuels and together with the supportive policies for natural gas consumption by the Chinese government, we are highly confident on the long-term prospects of the natural gas industry in China. Our energy equipment segment will proactively implement marketing strategies to promote its business in China and overseas markets, and meantime explore more new revenue sources, for instance, business opportunities in the energy-related sectors.

During a weak oil price environment, we see deal opportunities for expansion at more reasonable acquisition costs. The energy equipment segment will consider acquisition opportunities if they are a good strategic fit and available at a right price. We are well-prepared to cope with the uncertainty and will turn challenges into opportunities for development.

Chemical equipment

The chemical industry contributes a large portion to the global GDP and is closely linked to the macroeconomic conditions. On the back of a gradually recovering global economy, our chemical equipment segment, with tank containers as its major product, has recorded modest growth in recent years. We expect that the standard tank container business may fluctuate with the cyclical nature of the chemical market in 2015.

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 a healthy and sustainable growth in revenue, the chemical equipment segment will step up its effort to develop special and high-end tank containers, such as LNG tank containers.

Liquid food equipment

Through the dedicated efforts to integrate business and operational structures with assets acquired from Ziemann Group in 2012, the business portfolio of our liquid food equipment segment has broadened beyond providing processing equipment for beer and other liquid food manufacturers to offering comprehensive turnkey solutions to its customers. The segment achieved encouraging results in 2014 and we expect that the segment's growth will continue at a good pace in 2015.

Besides, through the acquisition of NCLS in the second half of 2014, the liquid food equipment segment has expanded its presence in the growing China market. The acquisition will also facilitate the segment to introduce advanced manufacturing technologies and process automation from Europe to China.

Appreciation

As we are entering into 2015, it will be remembered as an important year in the 10th anniversary of the listing of CIMC Enric on the Hong Kong Stock Exchange. We should never forget that the future is built on the past, and a good foundation has been laid for our continued success.

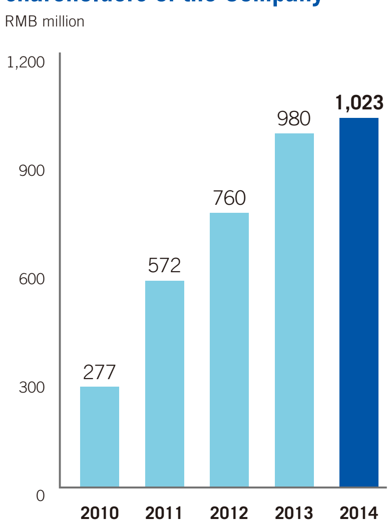
I would like to express my appreciation to the other Board members, the management and employees for their ongoing dedication and contribution, and our shareholders, customers, suppliers, and business partners for their continuing support.

This is my last Chairman's Statement, as I will be retiring from the Board effective from 1 April 2015. It has been an honour to serve as Chairman over the last seven and a half years. During my term of office as the Chairman and an Executive Director, I have devoted to build an outstanding management team and establish a sound management structure, for laying a solid foundation for the future development of CIMC Enric. I would like to wish the next Chairman, Mr. Gao Xiang, all the success in the future. In addition, on behalf of the Board, I am delighted to express our warmest welcome to Mr. Liu Chunfeng who will succeed Mr. Gao Xiang as the Company's General Manager and will join the Board on 1 April 2015. The long-term drivers for the Group remain firmly in place and I am confident that this, together with our strong leadership, will be able to bring the Group forward and to achieve greater returns for our shareholders.

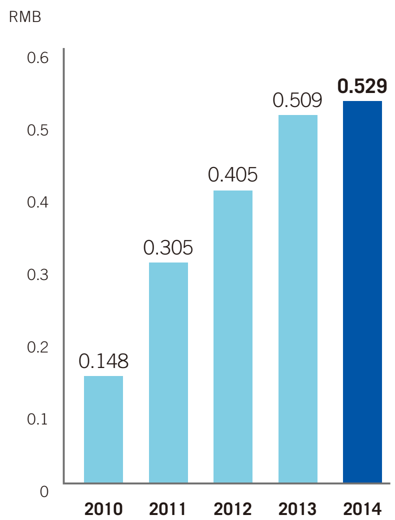
Zhao Qingsheng
Chairman

Hong Kong, 20 March 2015

Profit attributable to equity shareholders of the Company



Basic earnings per share



Energy Equipment

LNG & CNG Products

LNG Vessel Applications

LNG EPC Projects

Industry overview

Global primary energy consumption grew by 2.3% in 2013 and China accounted for the largest share of the global consumption of 22.4%. The world's natural gas consumption increased by 1.4% in 2013; and over the long run by 2035, the global natural gas demand is expected to grow by 1.9% per annum as mentioned in BP's Energy Outlook 2035 published in February 2015. For China, the country consumed 178.6 billion cubic meters ("bcm") of natural gas in 2014, up 5.6%. China imported 57.8 bcm of natural gas in 2014, representing a growth of 8.2%.

China's State Council announced the Energy Development Strategy Action Plan (2014-2020) in November 2014, among which the government set out its overall strategies, main tasks and safeguards to stimulate natural gas usage. China targets to achieve 10% of its energy supplied from natural gas by 2020, however natural gas comprised only approximately 5.1% of China's total primary energy consumption in 2013. To achieve the goal, China is keen to construct and develop natural gas infrastructure for the receiving, processing, storage and distribution of natural gas. Natural gas pipelines in China is planned to reach 120,000 km by 2020. The Chinese government also targets to establish eight new natural gas production bases by 2020, each capable of producing 10 bcm of natural gas per year. This reflects high growth potential for natural gas equipment for delivering gas from upstream pipelines and LNG terminals to downstream gas operators and finally to homes and businesses.

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. China's shale gas and coal seam gas production in 2020 is both planned to reach 30 bcm. The unconventional gas sources are geographically dispersed with shorter lifetime of gas extraction and made it uneconomical to transport through pipelines. Therefore, small-scale liquefaction systems, LNG trailers and natural gas supply systems are more suitable for processing and delivering unconventional gas.

Since July 2013, the Chinese government has introduced a series of nationwide reform of the natural gas pricing mechanism to raise the wholesale natural gas price to non-residential users, in order to bring its domestic natural gas prices closer to the cost of imports and encourage higher domestic output and greater imports. Meanwhile, the market has seen a dramatic slump in oil price in recent months. As announced by the Chinese government at the end of February 2015, China will end two-tier gas pricing, cutting wholesale natural gas prices for non-residential users with effect from April 2015. The Chinese government will introduce more market-oriented elements in future pricing of natural gas, and will work on the reforms of natural gas price for residential users in 2015.

Under the Chinese government's emphasis on pollution control on transport-related emissions, 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. According to the Energy Development Strategy Action Plan (2014-2020), the Chinese government aims to attain steady growth in natural gas transportation through measures include accelerating the construction of natural gas refueling station facilities; developing the NGV market proactively and orderly focusing on taxis and buses; and developing the NGV market of cars, coaches and trucks as well as vessels steadily.

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. China consumed approximately 32.3 million tons of LPG in 2014, representing an increase of 16.8%. Given that LPG is a naturally occurring by-product of natural gas extraction and crude oil refining, LPG will continue to play a supporting role in the energy sector.

Apart from the China market, growth opportunities in the overseas markets cannot be overlooked. The Chinese government "one belt, one road" plan announced in late 2014 will offer great potential for economic and trade ties between China and neighbouring countries. The plan involves funding to build infrastructure in friendly countries, exploration of natural resources, industrial cooperation and financial services. This favourable plan will definitely benefit the Group's expansion to the overseas natural gas market.

Operational performance

The Group's energy equipment segment's turnover remained stable at RMB5,422,026,000 (2013: RMB5,371,550,000). The segment's operating profit for the year was RMB600,997,000 (2013: RMB756,380,000).

Research and development

The energy equipment segment conducted a wide range of successful R&D projects during 2014. Some of the newly developed products have been launched to the market and contributed to revenue for the year, such as large volume high-pressure cylinder and composite cylinder, integrated LNG refueling station, CNG hydraulic retail station, skid-mounted and integrated CNG refueling station.

The segment's R&D efforts have been extended to developing LNG equipment for marine application, such as LNG fuel vessel, floating LNG refueling system, LNG on-shore refueling station system, LNG tank for marine transportation.

Several R&D projects targeting the international markets were carried out and achieved business returns during the year, including CNG transport ship with supporting wholesale and retail station for the international markets, on-vehicle LNG fuel tank for the United States market, LNG refueling product for the European market.

The segment has also been actively involved in the R&D of equipment for new energy. During 2014, the segment has successfully developed fuel tank for nuclear energy.

Besides, the R&D team plays an important role for the Group's EPC (engineering, procurement and construction) services and contributed to the development of LNG liquefaction plant, double LNG spherical tank, different types of LNG and CNG refueling stations as well as oil-to-gas substitution solution for vessel.

Future plans and strategies

The long-term prospect of China's natural gas industry remains broadly positive and 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. The Group also strives to assist customers to create additional value by focusing on what they need and targets to offer one-stop solutions to its customers.

China's LNG vessel market is expected to further expand under the Chinese government's favourable policies. To capture the business opportunities, in 2015, we will make use of the Group's land and infrastructure in Nantong for the establishment of production base for on-board LNG fuel tanks, LNG refueling equipment for LNG vessels and related equipment.

The prices for the unconventional gas sources, which requires delivery in the form of CNG or LNG, may have more competitiveness under the Chinese government's natural gas pricing reforms. With the advanced capabilities in design and project engineering possessed by the Group, the energy equipment segment will step up its effort to explore more EPC (engineering, procurement and construction) business for unconventional gas sources, such as small-scale liquefaction systems.

The demand for on-vehicle LNG fuel tanks for trucks, coaches and buses in China is expected to continue to grow. The Group's energy equipment segment will devote resources to launch more quality products to broaden its customer portfolio for on-vehicle LNG fuel tanks.

The energy equipment segment will continue to lead industry associations in the China market, for example, hosting or attending trade fairs and conferences, with an aim to lead industry development and drive initiatives to enhance the industry standards. It will also continue to participate in the establishment of national and/or industry standards for products.

Expansion of overseas markets is the Group's another development strategy. Under the Chinese government's "one belt, one road" plan, the energy equipment segment will monitor continuously market opportunities in South-east Asia and Russia, especially for CNG products and refueling station systems.

The energy equipment segment will also constantly devote to reducing production costs and enhancing production efficiency through implementation of manufacturing technology improvement programmes.

Meanwhile, by providing referral arrangement for finance lease and factoring services, the energy equipment segment will be able to solicit and retain more customers especially under this competitive business environment and tight monetary conditions in China.

Chemical Equipment

Standard Tank Containers

Special Tank Containers

Chemical Equipment

Industry overview

According to statistics released by the European Chemical Industry Council in January 2015, the world's chemicals sales grew by 2.4% in 2013 from 2012, marking a modest recovery in the world chemical industry. The growth was largely driven by China, where the country's chemicals sales outpaced the rest of the world and accounted for approximately 33.2% of the total sales.

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 Organisation (ITCO) published in June 2014, there are around 394,000 tank containers presently in operation worldwide, representing an increase of approximately 12% over 2013. ITCO commented that the growth trend in the tank container industry is continuing. According to the estimation by Atco Asia, the estimated number of ISO tank containers manufactured by China in 2014 was around 33,000, representing an increase of approximately 13.8% from 29,000 in 2013, in which China continues to contribute the largest share of tank containers produced.

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. Meanwhile, the market for specialised tank containers is also growing, following the business diversification of tank container operators.

As China seeks to broaden its use of natural gas, huge potential demand for LNG is driven. To expand the LNG supply chain in China, LNG tank containers have been 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.

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 recent years, the Chinese government started a lot of road and highway construction projects and maintenance projects, this triggers a significant increase in demand for asphalt tanks to transport asphalt for these projects.

All the above favourable industry developments reflect the growth potential of the chemical storage and transportation equipment business that the Group engaged in. Looking ahead to 2015, the demand for standard tank container may fluctuate with the cyclical nature of the chemical market. The Group will equip itself with the market changes and explore more growth drivers for its tank container business.

Operational performance

The Group's chemical equipment segment recorded a steady growth in turnover of RMB3,313,910,000 (2013: RMB3,092,929,000). The segment's operating profit for the year was RMB484,800,000 (2013: RMB497,941,000).

Research and development

The chemical equipment segment devoted to the R&D of different types of tank containers to meet customer needs. In 2014, the segment successfully developed 39-ton high-temperature wide body tank containers with low heat dissipation, high strength steel tank containers for gas and LNG tank containers for the international markets.

The segment's R&D efforts are intended to enable the launch of more types of special and high-end tank containers in China and the international markets.

Future plans and strategies

The Group's chemical equipment segment is committed to maintain its leading position in tank container manufacturing and will continue to seek cost advantage over competitors by optimising product design and production processes. For instance, the segment will increase the use of standardised components to maintain cost efficiency.

Apart from the production aspects, the chemical equipment segment strives to build customer trust and confidence in its products by increasing communication and contacts with customers. The segment has held and will continue to hold conferences for the tank container industry providing great opportunities for industry players to discuss issues and development trends of the industry, as well as exchange of ideas for product development.

The Group will continue to facilitate the transmission of know-how, technological expertise and market networks between its subsidiaries in China and Europe. Under a Sino-European product development programme, the Group successfully developed LNG tank containers with international standards and successfully exported the final products to the United States in 2014. The segment will continue to explore business opportunities for LNG tank containers and other special and high-ended tank containers in the international markets.

Liquid Food Equipment

Liquid Food Tanks

Turnkey Solutions

Large-scale Turnkey Projects

Liquid Food Equipment

Industry overview

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.

Being the world's largest beer producer and consumer for over 10 years, China saw continued growth in beer consumption due to improving living standards from the development of the economy. China's beer market is expected to maintain a continuous and steady growth. The country's beer consumption is evolving and the demand for premium beer has great potential for further grow. Eyeing on the bright market outlook, China has become an important target of major international breweries. 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.

In addition, China has reinforced the promotion of food safety and energy saving, 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. Under the steadily improving economic conditions in the United States, some giant corporate breweries have unveiled their expansion plans in North and Central Americas, where large-scale beer production lines will be built.

The storage, transfer and processing of liquids require an innovative and integrated approach. The Group's liquid food equipment segment develops, builds and installs complete systems and operates on a worldwide scale, according to international quality values and safety standards. The Group believes that its comprehensive knowledge and global experience will drive the success of the Group in the liquid food equipment sector.

Operational performance

The Group's liquid food equipment segment reported a satisfactory growth in turnover of RMB2,461,734,000 (2013: RMB1,707,334,000). The segment's operating profit for the year was RMB249,661,000 (2013: RMB115,473,000).

Research and development

During 2014, the liquid food equipment devoted to the R&D of complete turnkey brewery systems catered to customer specifications. With advanced brewing technology possessed by Ziemann and lower cost of production in China, the segment also committed to develop brewery systems tailor-made for the China market.

In addition to building a motivated in-house R&D team, the segment has been accumulating R&D capabilities through collaboration with the industrial sector and the scientific community, for example, joining as members in several scientific committees in the industry, providing presentations on industry conferences and technical universities.

Future plans and strategies

The Group's liquid food equipment segment has become a provider of comprehensive turnkey solutions to beer and other liquid food producers, following the integration of certain assets acquired from Ziemann Group in 2012. Apart from the market of beer, juice and dairy products, the segment targets to expand its business to the market of high-ended products such as medical and biochemical products. A dedicated team will be established to support the business development.

In addition, the segment will continue to enhance the branding of Holvrieka and Ziemann. Under the objective of a single corporate entity, the segment will continue to implement marketing strategies to improve the market positioning as well as increase brand awareness and customer intimacy.

The Group will continue to transfer advanced manufacturing technologies and know-how from Europe to its Chinese operations. After the acquisition of NCLS in the second half of 2014, the liquid food equipment segment will work on the integration of the Ziemann technology with NCLS, through development of training programmes and exchange programmes for project teams, engineers and technicians.

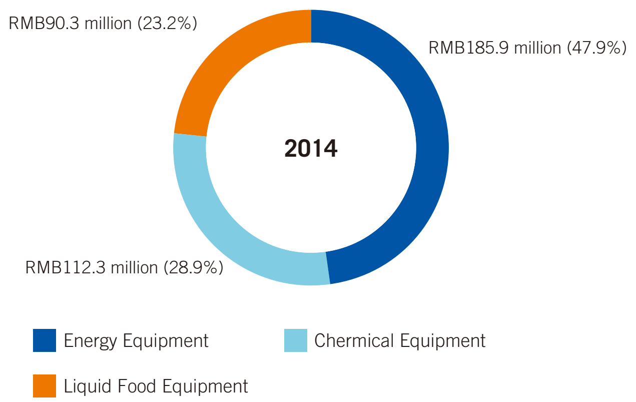
The Group recognises the importance of innovation and considers innovation as a growth driver. The liquid food equipment segment has developed process innovations and has participated in trade exhibitions to present the innovations to the market. For example, the Group developed the "Ice Age" technology which permits the regenerative cooling of brewery equipment and achieved significant energy and cost savings for breweries. In future, the segment targets to develop innovative products for mash filtration, milling system, energy projects, smart conveyor and fast fermentation.

Last but not least, the liquid food equipment segment will adopt measures to continuously improve its existing products to strive for competitive advantage over rivals. The segment will also consider the possibility of the insourcing and outsourcing by assessing the costs and benefits carefully.

Production capacity

In 2014, the Group invested RMB388,724,000 in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The energy equipment segment, chemical equipment segment and liquid food equipment segment invested RMB185,919,000, RMB112,282,000 and RMB90,313,000 respectively in capital expenditure during the year. In addition, the Group had capital expenditure of RMB210,000 that was not specific to any of the three business segments.

Capital Expenditure by Segments



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.

Energy equipment is mainly sold under the brand names of “Enric”, “Sanctum” and “Hongtu”. Tank containers are mainly sold under the brand name “Nantong CIMC”. Liquid food equipment products and project engineering services are branded under the names “Holvrieka” and “Ziemann”.

The Group is committed to building a broad and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group’s broad customer base includes PetroChina, Sinopec, CNOOC, China Resources Gas, ENN Energy, Cronos, EXSIF, TAL International, Sinochem International, Seaco, Foton Daimler, Constellation Brands and etc. 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. With the Group’s overall capability to provide turnkey solutions, the Group strives to assist customers to create additional value by focusing on what they need.

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 RMB4,993,951,000 (2013: RMB4,305,126,000). Continuous efforts are put into emerging markets as well as natural-gas-rich countries like Russia and USA. The Group visits emerging markets from time to time, so as to gather local market information and meantime promote its products and services.

Cost control

With firm determination to maximise cost efficiency, the Group persists in its manufacturing technology improvement programmes and the ONE (Optimisation Never Ending) production programme which contribute to reduction in production costs and sustainable enhancement of production efficiency and product quality.

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 will continue to keep a tight control on its cost of production.

Other 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.

The Group 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 by International Organization for Standardization.

The Group also possesses certain patented technologies in different countries to protect its invention and know-how. At 31 December 2014, the Group held exclusive rights to a portfolio of over 430 patents in China and overseas, of which 97 patents were 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 and endeavours to maintain safe and efficient operation of the products for 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.

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), starting from 2007, has progressively established five examination and service centres for CNG trailers and other high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Xinjiang and Yangzhou, the PRC, to provide services including examinations, alternations, repairs and replacement parts to customers. In 2014, a new centre in Hengyang of Hunan province was newly built and put into operation in the second half of the year. In 2015, the Group plans to build a new centre in each of Shijiazhuang of Heibei province, Chengdu of Sichuan province and Daqing of Heilongjiang province. According to the relevant safety regulations of the PRC, inspections of high pressure cylinder trailers in use should be carried out periodically. The above examination and service centres provide inspections and other services to customers in accordance with relevant regulations, to ensure the safe operation of customers' vehicles.

Turnover

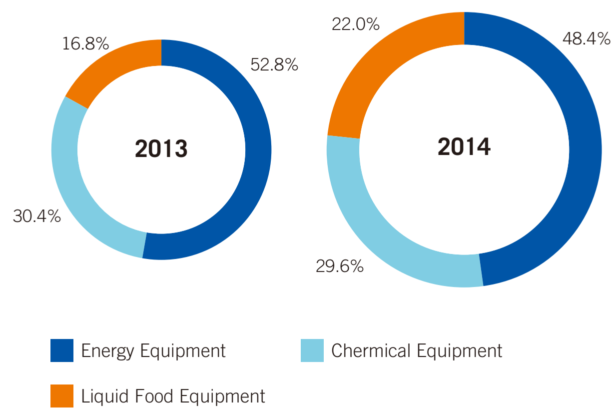
The energy equipment segment, despite losing its growth momentum temporarily in the first half of 2014 due to the Chinese macroeconomic situation and natural gas price reform, recorded a rebound in the second half and full year revenue remained stable comparing with 2013. With a gradually recovering global economy, the chemical equipment segment's turnover recorded a modest growth. As the segment has grown from equipment manufacturer to turnkey solution provider since the acquisition of certain assets from Ziemann Group in 2012, resulting in strong order intake, the liquid food equipment segment recorded a robust growth in turnover. As a result, the turnover of the Group for 2014 increased by 10.1% to RMB11,197,670,000 over the previous year (2013: RMB10,171,813,000). The performance of each segment is discussed below.

Energy equipment remains the top grossing segment of the Group, its turnover remained stable at RMB5,422,026,000 (2013: RMB5,371,550,000) and accounted for 48.4% (2013: 52.8%) of the overall turnover. LNG products were the main revenue contributor of this segment during the year and EPC projects have been steadily increasing its revenue contribution.

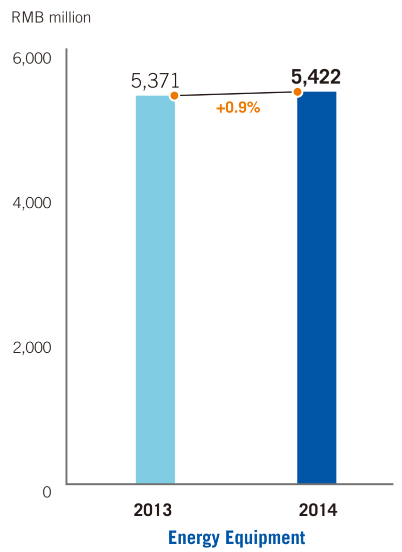
Chemical equipment segment's turnover rose by 7.1% to RMB3,313,910,000 over the previous year (2013: RMB3,092,929,000) and contributed 29.6% (2013: 30.4%) of the overall turnover, making it the second top grossing segment of the Group.

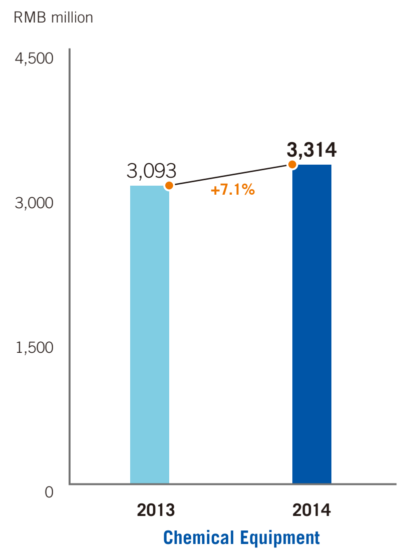
Turnover of liquid food equipment segment increased by 44.2% to RMB2,461,734,000 (2013: RMB1,707,334,000) and contribution to the Group's overall turnover increased from 16.8% in the previous year to 22.0%.

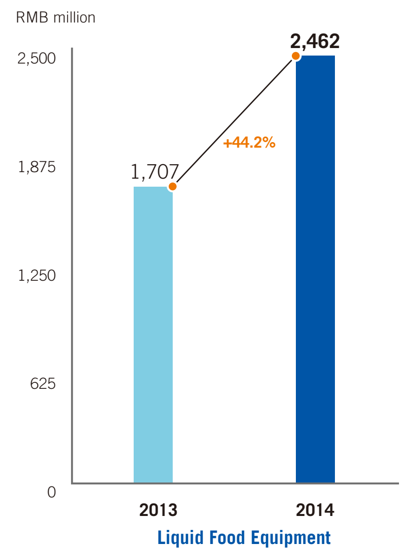
Sales by Business Segments



Segment's Turnover







Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly by 1.6 percentage points to 19.8% (2013: 21.4%). A change in the product mix with EPC projects and LPG products increasing their sales contribution during the year caused the segment's GP margin to decline.

In relation to the chemical equipment segment, its GP margin saw a decline of 2.6 percentage points to 16.2% (2013: 18.8%) mainly due to change in product mix with standardised tank containers increased its revenue contribution.

The GP margin for liquid food equipment segment remained stable at 19.8% (2013: 20.0%).

Due to the different contribution by respective segments on the overall GP margin, as both energy and chemical segments recorded decline in their respective GP margin, the Group's overall GP margin fell slightly by 1.6 percentage points to 18.8% (2013: 20.4%).

Profit from operations expressed as a percentage of turnover declined slightly by 1.2 percentage points to 10.9% (2013: 12.1%) which is mainly attributable to the lower GP margin.

Tax expenses for the Group dropped by 29.3% mainly because of reversal of prior years' deferred tax expenses upon the Company and certain of its investment holding subsidiaries being recognised as Chinese Resident Enterprises by the relevant Chinese tax authority in 2014.

As a result, profit attributable to equity shareholders of the Company for the year reached RMB1,023,330,000, representing a growth of 4.5% over the previous year (2013: RMB979,595,000).

Other revenue

Other revenue totalling RMB244,524,000 in 2014 (2013: RMB228,142,000) consisted of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in revenue from sale of scrap metals but this has been offset to some extent by decline in government grant due to absence of relocation of the Group's production plants during the year.

Selling expenses

Selling expenses increased by 18.4% to RMB325,464,000 (2013: RMB274,856,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses rose at a faster pace than turnover mainly because of increased freight charges during the year.

Administrative expenses

Administrative expenses increased slightly by 1.5% to RMB804,760,000 (2013: RMB792,640,000) which is slower than the growth in turnover. Administrative expenses rose mainly due to the increase in cost of human resources as a result of granting of share options to Directors and employees of the Group.

Other net income/(expenses)

Other net income of RMB4,229,000 in 2014 (2013: Other net expenses of RMB7,859,000) comprised loss on disposal of property, plant and equipment, charitable donations, exchange loss and various miscellaneous income. Other net expenses in 2013 turned into other net income in the current year due to the exchange loss of RMB16,709,000 in 2013 reduced to a loss of RMB2,147,000 in 2014 mainly due to the appreciation of USD against RMB.

Finance costs

During 2014, finance costs fell by 4.8% to RMB33,496,000 (2013: RMB35,188,000). Finance costs mainly comprised interest on bank loans and other borrowings of RMB30,197,000 (2013: RMB31,589,000). The Group repaid a portion of external borrowings towards the year end, thus resulting in lower interest expense over the previous year.

Taxation

Tax expenses for the Group dropped by 29.3% to RMB146,868,000 in 2014 (2013: RMB207,584,000) mainly because of reversal of prior years' deferred tax expenses amounting to RMB59,053,000 upon the Company and certain of its investment holding subsidiaries being recognised as Chinese Resident Enterprises by the relevant Chinese tax authority in 2014.

Employees and remuneration policies

At 31 December 2014, the total number of employees of the Group was approximately 9,700 (2013: approximately 9,900). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB1,255,586,000 (2013: RMB1,210,631,000).

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.

Liquidity and financial resources

At 31 December 2014, the cash and cash equivalents of the Group amounted to RMB1,677,737,000 (2013: RMB1,542,585,000). A portion of the Group's bank deposits totalling RMB111,886,000 (2013: RMB133,378,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from related parties as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2014, the Group's bank loans and overdrafts amounted to RMB85,722,000 (2013: RMB170,873,000), other than the RMB25,223,000 two-year term loan for capital expenditure, the remaining is repayable within one year. Apart from the term loans denominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 1.98% to 6.15% per annum. At 31 December 2014, the Group did not have secured bank loan (2013: Nil). As of 31 December 2014, bank loans amounting to RMB85,722,000 (2013: RMB169,368,000) were guaranteed by the Company's subsidiaries. As at 31 December 2014, loans from related parties amounted to RMB110,000,000 (2013: RMB385,812,000), which are unsecured, interest bearing from 4.90% to 5.25% (2013: 5.35% to 6.00%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2013: zero times) as the Group retained a net cash balance of RMB1,593,901,000 (2013: RMB1,119,278,000). The increase in net cash balance is mainly attributable to a considerable amount of down payments for significant projects, as well as the reduction of capital expenditure resulting from the completion of large scale expansion projects over the previous years. Apart from this, the management dedicates its effort to continuously improve the cash management to minimise finance cost. As a result, bank loans recorded a reduction at year end. The Group's interest coverage was 40.1 times for the year (2013: 38.8 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2014, net cash generated from operating activities amounted to RMB1,088,522,000 (2013: RMB1,136,600,000). The Group drew bank loans and loans from related parties totalling RMB654,020,000 (2013: RMB801,562,000) and repaid RMB1,013,478,000 (2013: RMB932,104,000). A payment of final dividend in respect of the financial year 2013 were approximately RMB180,471,000.

In addition, cash proceeds amounted to RMB14,231,000 arose from the issuance of ordinary shares on exercise of share options. During the year, net cash payment in respect of on-market share repurchase amounted to RMB31,442,000.

	2014 RMB'000	2013 RMB'000
Net cash generated from/(used in):		
• Operating activities	**1,088,522**	1,136,600
• Investing activities	**(322,157)**	(313,090)
• Financing activities	**(589,514)**	(237,490)
Total	**176,851**	586,020

Assets and liabilities

At 31 December 2014, total assets of the Group amounted to RMB10,601,282,000 (2013: RMB10,379,864,000) while total liabilities were RMB4,485,139,000 (2013: RMB5,056,848,000). The net asset value rose by 14.9% to RMB6,116,143,000 (2013: RMB5,323,016,000) which was mainly attributable to the net profit of RMB1,035,063,000, but partially offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB79,015,000 for the year. As a result, the net asset value per share increased to RMB3.167 at 31 December 2014 from RMB2.815 at 31 December 2013.

Contingent liabilities

At 31 December 2014, the Group did not have any significant contingent liabilities.

Future plans for source of funding and capital commitments

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. At the same time, 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.

At 31 December 2014, the Group had contracted but not provided for capital commitments of RMB123,875,000 (2013: RMB49,198,000). As of 31 December 2014, the Group did not have authorised but not contracted for capital commitments (2013: 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 currencies giving rise to this risk to the Group are primarily US dollars and Euro. 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.

Directors and Senior Management

Directors

Mr. Zhao Qingsheng

Chairman and Executive Director, chairman of Nomination Committee

Mr. Zhao, aged 62, 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. Effective from 1 April 2015, Mr. Zhao would resign as an Executive Director and would cease to be the Chairman of the Board.

Mr. Gao Xiang

General Manager and Executive Director

Mr. Gao, aged 50, 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 Logistics 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. Effective from 1 April 2015, Mr. Gao would become the Chairman of the Board and would cease to be the General Manager.

Mr. Jin Jianlong

Executive Director, member of Remuneration Committee

Mr. Jin, aged 61, 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 49, 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 third session of the Appellate Review Committee of the Shenzhen Stock Exchange. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director

Mr. Jin, aged 51, 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 42, 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 54, 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 Hong Kong and China cross-border commercial legal services. 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 Dairy 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 65, joined the Group as an Independent Non-executive Director since September 2010. He received a PhD degree in accounting from Xi'an Jiaotong University (西安交通大學) and a master's degree in economics from Wuhan University (武漢大學). He is a registered accountant in the PRC. Presently, Mr. Zhang is a professor of the Business School of University of International Business and Economics (對外經濟貿易大學國際商學院) in the PRC, and was a former associate dean of the school. He was also a senior member of the Chinese Society of Technology and Economics (中國技術經濟研究會) and a researcher of Beijing Asia-Pacific Research Center of China Financial Accounting (北京亞太華夏財務會計研究中心). Mr. Zhang possesses strong academic background in accounting and finance.

Senior Management

Mr. Ren Yingjian

Deputy General Manager

Mr. Ren, aged 59, 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 52, was appointed as a deputy general manager of the Company in May 2012. He graduated from Shandong University of Technology (山東工業大學) (now known as Shandong University (山東大學)), majoring in mechanics with a postgraduate qualification in mechanical production, and is a senior engineer. Mr. Liu joined CIMC in 1989 as an engineer and was the manager of various departments in certain subsidiaries of CIMC and the general manager of the technology management department of CIMC from 1993 to 2010. He is 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 from May 2010 to March 2015. He holds directorships in certain subsidiaries of the Company. Effective from 1 April 2015, Mr. Liu would become the General Manager and an Executive Director and would cease to be a deputy general manager of the Company.

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 47, 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 51, 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 46, 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 43, 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 2014, 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;

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 2014 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 2013 and 2014, and for the six months ended 30 June 2014 respectively;
- reviewed the continuing connected transactions of the Group;
- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- approved the appointment of Mr. Gao Xiang as the chairman of the board, an authorised representative and a member of nomination committee, following the resignation of Mr. Zhao Qingsheng as an executive Director with effect from 1 April 2015;
- approved the appointment of Mr. Liu Chunfeng as the Company's general manager and an executive Director with effect from 1 April 2015;
- approved the application for Chinese resident enterprise identity by the Company and its relevant subsidiaries with the Chinese tax authority;
- approved the grant of share options of the Company;
- approved the connected transactions regarding the bank guarantees between the relevant subsidiaries of the Company and CIMC;

Board of Directors *(Continued)*

The board *(Continued)*

- approved the acquisition of Holvrieka (China) Co., Ltd., subject to shareholders' approval;

- approved the continuing connected transactions contemplated under the financial services framework agreement entered into between the Company, the relevant subsidiary of CIMC and CIMC;

- approved the continuing connected transactions contemplated under the master office services agreement, master processing services agreement and master procurement agreement entered into between the Company and CIMC; 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.

In 2014 and up to the date of this Report, the Board, among others, performed the following corporate governance functions:

- 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 2013 and 2014 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.

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 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 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.

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 2014 and in 2015 (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 it own Code for Securities Transactions by Relevant Persons as the code of conduct regarding dealing in securities of the Company by the Directors and specific employees of the Company or its subsidiaries who, because of his office or employment in the Company or such subsidiary, is or is likely to possess inside information in relation to the Company or its securities. Such code is on terms no less exacting than those set out in the Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Each Director is required to confirm with the Company in writing, twice a year, that he has complied with the Model Code. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2014.

Director's attendance

	No. of meetings attended during 2014				
	Board *(Note)*	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors					
Mr. Zhao Qingsheng *(Chairman)*	6/7	–	–	2/2	3/3
Mr. Gao Xiang *(General Manager)*	6/7	–	–	–	0/3
Mr. Jin Jianlong	5/7	–	2/2	–	0/3
Mr. Yu Yuqun	4/7	–	–	–	0/3
Non-executive Director					
Mr. Jin Yongsheng	6/7	–	–	–	1/3
Independent Non-executive Directors					
Mr. Wong Chun Ho	7/7	4/4	–	2/2	1/3
Mr. Tsui Kei Pang	7/7	4/4	2/2	–	2/3
Mr. Zhang Xueqian	7/7	4/4	2/2	2/2	2/3

Board of Directors *(Continued)*

Director's attendance *(Continued)*

Note:

A total of seven Board meetings were held during 2014. For the Board meeting held on 26 June 2014, 10 July 2014 and 27 October 2014 for approving, among others, the connected transactions or continuing connected transactions with relevant subsidiaries of CIMC, Messrs. Zhao Qingsheng, Gao Xiang, Jin Jianlong, Yu Yuqun and Jin Yongsheng (for the Board meeting on 26 June 2014 only) were required to abstain from voting and had excused themselves from these Board meetings, given their material interests in the transactions pursuant to the Articles. Messrs. Zhao Qingsheng, Gao Xiang, Jin Jianlong and/or Yu Yuqun were invited to attend the Board meetings on 26 June 2014, 10 July 2014 and 27 October 2014 to introduce the reasons for and the benefit of the transactions. The Directors with material interests in the transactions were not counted as quorum and had abstained from voting in the meetings.

	No. of meetings attended during 1 January 2015 to the date of this report				
	Board *(Note)*	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors					
Mr. Zhao Qingsheng *(Chairman)*	2/2	–	–	2/2	–
Mr. Gao Xiang *(General Manager)*	1/2	–	–	–	–
Mr. Jin Jianlong	1/2	–	2/2	–	–
Mr. Yu Yuqun	1/2	–	–	–	–
Non-executive Director					
Mr. Jin Yongsheng	2/2	–	–	–	–
Independent Non-executive Directors					
Mr. Wong Chun Ho	2/2	2/2	–	2/2	–
Mr. Tsui Kei Pang	1/2	2/2	2/2	–	–
Mr. Zhang Xueqian	2/2	2/2	2/2	2/2	–

Note:

A total of two Board meetings were held during 1 January 2015 to the date of this report. For the Board meeting held on 16 January 2015 for approving, among others, the continuing connected transactions with CIMC, Messrs. Zhao Qingsheng, Gao Xiang, Jin Jianlong and Yu Yuqun were required to abstain from voting and had excused themselves from these Board meetings, given their material interests in the transactions pursuant to the Articles. Mr. Zhao Qingsheng was invited to attend the Board meeting on 16 January 2015 to introduce the reasons for and the benefit of the transactions, he was not counted as quorum and had abstained from voting in the meeting.

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.

Directors' training and professional development *(Continued)*

During the year, the Company organised a seminar for the Directors on the delegation of authority of the Board, the relationship between the Company, the Board and the Directors, and the recent amendments to Listing Rules regarding connected transactions. The seminar was facilitated by the external legal advisor of the Company. Seven Directors, namely Mr. Zhao Qingsheng, Mr. Gao Xiang, Mr. Jin Jianlong, Mr. Yu Yuqun, Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian attended the seminar in person. One Director, namely Mr. Jin Yongsheng 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 2014 to the Company.

Appointments and Resignations of Directors

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

The Nomination Committee identifies and recommends to the Board of suitable candidates as Directors, taken into account various criteria such as their education, qualification and experience to determine whether their attributes are relevant to the business of the Group and can complement to the capabilities of existing Directors, 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 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.

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 2014 and 2013 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	1
HKD1,500,001 to HKD2,000,000	1
HKD2,000,001 to HKD2,500,000	2
HKD2,500,001 to HKD3,000,000	–
HKD3,000,001 to HKD3,500,000	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.

Delegation by the Board *(Continued)*

Board committees

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

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

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 2014, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2013;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the year ended 31 December 2013 and the six months ended 30 June 2014, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2013, and the interim results for the six months ended 30 June 2014 with the external auditor;
- the continuing connected transactions of the Group during 2013 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;

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

- 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 2013.

In 2014 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 2014	950,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2014	4,105,000
Total	5,055,000

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2014 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 2014, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, reviewed and made recommendations to the Board on the remuneration packages of the Directors re-appointed during 2014 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 2014, 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;

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Nomination Committee *(Continued)*

- 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 2014, and made recommendation to the Board.

Company Secretary

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

The Company Secretary's biography is set out on page 22 under the section headed "Directors and Senior Management" and on the Company's website. During 2014, 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 Company, 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.

Accountability and Audit *(Continued)*

Internal controls *(Continued)*

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

The internal audit division of the Company is responsible for monitoring the internal control systems of the Group. The internal auditor assessed and reported on the adequacy and effectiveness of the established internal controls of the Group for the reporting year by performing comprehensive reviews and testing. No major deficiencies were identified in the reviews.

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

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

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

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

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

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

Non-compete Undertakings

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

CIMC has given to the Company a letter of annual declaration where it declared, to the best of the knowledge of its board of directors and management, that it had been in compliance with all the non-competition undertakings and all other provisions set out in the Deed throughout the year ended 31 December 2014.

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.

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 2014

In 2014, the Company held an AGM and two EGMs.

The most recent general meeting was the EGM held on 25 August 2014 at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong. One resolution was proposed in the meeting and 64.84% of votes were cast in favour of the resolution and 35.16% of votes were cast against the resolution. The proposed resolution was therefore passed as an ordinary resolution of the Company. Extract of the resolution is the approval of the acquisition of Holvrieka (China) Co., Ltd. and the issue of 39,740,566 shares as consideration of the acquisition.

Full text of the above resolution is set out in the notice of EGM of the Company dated 30 July 2014. 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 2014, 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, 20 March 2015

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2014.

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 20 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 2014 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 135.

Dividends and Reserves

The Directors are pleased to propose a final dividend in respect of 2014 of HKD0.195 per ordinary share (the "2014 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on Wednesday, 20 May 2015.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the financial statements and the consolidated statement of changes in equity.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2014 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	4.9%	–
Five largest customers in aggregate (Note 1)	17.6%	–
The largest supplier	–	7.1%
Five largest suppliers in aggregate	–	21.6%

Notes:

1. One of the top five customers of the Group is a company in which CIMC, holding more than 5% of the issued shares of the Company as at 31 December 2014, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.

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

Property, Plant and Equipment

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

Retirement Schemes

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

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB86,000 (2013: RMB21,000).

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 2014 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 2.

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

Reference is made to the announcement of the Company dated 20 March 2015, where it was announced that, inter alia, Mr. Liu Chunfeng will be appointed as an executive Director with effect from 1 April 2015. Pursuant to A.4.2 of the CG Code and article 86(3) of the Articles, Mr. Liu Chunfeng will be subject to re-election at the forthcoming AGM to be held on 20 May 2015.

At the forthcoming AGM, Messrs. Gao Xiang, Jin Yongsheng and Wong Chun Ho 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 2014, 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	Number of shares held	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	% of issued share capital *(Note)*
Zhao Qingsheng	Beneficial owner	529,000	1,635,000	2,164,000	0.11%
Gao Xiang	Beneficial owner		1,900,000	1,900,000	0.10%
Jin Jianlong	Beneficial owner		1,400,000	1,400,000	0.07%
Yu Yuqun	Beneficial owner		1,298,000	1,298,000	0.07%
Jin Yongsheng	Beneficial owner		1,100,000	1,100,000	0.06%
Wong Chun Ho	Beneficial owner		1,100,000	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner		600,000	600,000	0.03%
Zhang Xueqian	Beneficial owner		600,000	600,000	0.03%

Note:

The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2014, which was 1,931,483,088.

Directors' Interests in Shares *(Continued)*

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 *(Note 1)*	3,350,000	1.52% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,350,000	0.61% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
CIMC	Zhao Qingsheng	Beneficial owner *(Note 3)*	1,125,000	0.04% *(Note 4)*
	Gao Xiang	Beneficial owner *(Note 3)*	375,000	0.01% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	850,000	0.03% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	750,000	0.03% *(Note 4)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,700,000 units, of which 206,090,000 units were allocated as at 31 December 2014. 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%.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2014, which was 220,700,000.

3. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB11.08 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC in issue as at 31 December 2014, which was 2,672,628,551.

Save as disclosed above, as at 31 December 2014, 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 2014, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2014, 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 *(Note 1)*
CIMC	Interest of controlled corporation	1,362,076,211 *(Note 2)*	70.52%
CIMC HK	Interest of controlled corporation	190,703,000 *(Note 3)*	9.87%
	Interest in controlled corporation	39,740,566 *(Note 4)*	2.06%
	Beneficial owner	1,131,632,645	58.59%
Charm Wise	Beneficial owner	190,703,000 *(Note 3)*	9.87%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2014, which was 1,931,483,088.
2. 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.
3. 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%.
4. These ordinary shares are held by CIMC Tank Equipment Investment Holdings Company Limited, a wholly-owned subsidiary of CIMC HK.

Save as disclosed above, as at 31 December 2014, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

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

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

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

Share Options *(Continued)*

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 3,440,000 number of these options were lapsed as at 31 December 2014.

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 2,860,000 number of these options were lapsed as at 31 December 2014.

Further, on 5 June 2014, the Company granted share options to certain eligible persons to subscribe for a total of 38,420,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme.

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

During the year ended 31 December 2014, movements of the options under the Scheme were as follows:

			Number of share options				
Grantee	**Date of grant**	**Exercisable period**	**outstanding at 1 January 2014**	**granted during the year**	**exercised during the year**	**lapsed during the year**	**outstanding at 31 December 2014**
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	–	(315,000)	–	135,000
	05/06/2014	05/06/2014–04/06/2024	–	500,000	–	–	500,000
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
	05/06/2014	05/06/2014–04/06/2024	–	400,000	–	–	400,000
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
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000

Share Options *(Continued)*

Grantee	Date of grant	Exercisable period	Number of share options: outstanding at 1 January 2014	granted during the year	exercised during the year	lapsed during the year	outstanding at 31 December 2014
Yu Yuqun	11/11/2009	11/11/2010–10/11/2019	698,000	–	–	–	698,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	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
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
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
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
			7,248,000	2,700,000	(315,000)	–	9,633,000
Employees	11/11/2009	11/11/2010–10/11/2019	11,946,000	–	(2,334,000)	(90,000)	9,522,000
	28/10/2011	28/10/2013–27/10/2021	27,170,000	–	(2,054,000)	(390,000)	24,726,000
	05/06/2014	05/06/2014–04/06/2024	–	31,870,000	–	–	31,870,000
Other participants	11/11/2009	11/11/2010–10/11/2019	9,130,000	–	(360,000)	–	8,770,000
	28/10/2011	28/10/2013–27/10/2021	3,144,000	–	(532,000)	(120,000)	2,492,000
	05/06/2014	05/06/2014–04/06/2024	–	3,850,000	–	–	3,850,000
Total			58,638,000	38,420,000	(5,595,000)	(600,000)	90,863,000

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.

2. Regarding 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.

3. Regarding the share options granted on 5 June 2014:

   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 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 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 approximately HKD4.70.

Share Options *(Continued)*

Notes: *(Continued)*

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2014 was HKD11.35 per share.

5. The accounting policy adopted for the above options granted was set out in note 2(v)(ii) and note 32 to the financial statements.

As at the date of this report, a total of 16,195,220 number of options, representing 0.84% 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 106,478,220 shares, representing 5.51% 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 2014.

Directors' Interests in Competing Business

At the date of this report, no Director was interested in the business apart from the Group's business, which competes or may compete, either directly or indirectly, with the Group's business.

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 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 RMB5,099,000.

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 RMB22,758,000.

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 RMB274,880,000.

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) Co., Ltd. (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 RMB5,342,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

On 28 November 2013, the Company entered into a product sales agreement with CIMC under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2014 to 31 December 2016. During the year, the Group's sale to CIMC Group was RMB627,421,000.

On 28 November 2013, 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 2014 to 31 December 2016. During the year, the service income recognised by the Group was RMB9,396,000.

On 27 October 2014, the Company entered into a financial services framework agreement with CIMC Finance Company Ltd. (中集集團財務有限公司, a wholly-owned subsidiary of CIMC, "CIMC Finance") as service provider and CIMC as guarantor under which CIMC Finance agreed to provide various financial services to the Group for from 27 October 2014 to 31 December 2016. During the period, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB141,749,000, the interest income from deposits recognised by the Group was RMB113,000 and the service charge incurred by the Group was RMB2,334,000.

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 better; 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.56. 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, 30 December 2011, 15 May 2013, 28 November 2013 and 27 October 2014 made by the Company in respect of each of the disclosed continuing connected transactions.

Note 39 to the financial statements set out the information regarding related party transactions prepared in accordance with the relevant accounting standards and these transactions are also connected transactions under Listing Rules. These transactions complied with requirements of the Listing Rules. Except for the financial statements were prepared applying merger accounting, certain connected transactions under Listing Rules are not related party transactions according to the relevant accounting standards.

Connected Transactions and Interests in Contracts *(Continued)*

Other connected transactions

Save as disclosed above, the Group entered into the following connected transactions during the year:

On 30 June 2014, Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. (南京揚子石油化工設計工程有限責任公司, an indirectly wholly-owned subsidiary of the Company, "YPDI") entered into the EPC (engineering, procurement and construction) agreements with ENN (Zhoushan) LNG Co., Ltd. (新奥(舟山)液化天然氣有限公司, the "Customer"), TGE Gas Engineering GmbH ("TGE (Germany)") and Shanghai CIMC TGE Gas Engineering Co., Ltd. (上海梯杰易氣體工程技術有限公司, "TGE (Shanghai)") (as applicable). Pursuant to the EPC Agreements, among other things, YPDI will provide to the Customer Bank Guarantee I within 28 days from the date of the EPC Agreements which will be terminated on the earlier of (i) the date of issue of the Temporary Acceptance Certificate or (ii) the expiry of 36 months from the date of Bank Guarantee I, where the bank, on behalf of YPDI, will unconditionally and irrevocably provide guarantees to the Customer for the performance of all the contractual obligations of each of the contractors (i.e. YPDI, TGE (Germany) and TGE (Shanghai)) under the EPC Agreements. Moreover, pursuant to the EPC Agreements, YPDI will provide to the Customer Bank Guarantee II from the date of issuance of the Temporary Acceptance Certificate to the earlier of (i) the date of issuance of the Finalised Acceptance Certificate or (ii) the expiry of 24 months from the date of issuance of the Temporary Acceptance Certificate, where the bank, on behalf of YPDI, will unconditionally and irrevocably provide guarantees to the Customer in respect of all defects in the EPC works completed by the contractors under the EPC Agreements in fulfillment of the warranties and indemnities obligations of the contractors under the EPC Agreements. The maximum amount to be guaranteed by YPDI under Bank Guarantee I and Bank Guarantee II will be RMB79,652,633 and RMB39,826,317 respectively. In relation to the bank guarantees, each of TGE (Germany) and TGE (Shanghai) will provide counter guarantees to YPDI.

On 10 July 2014, CIMC Tank Equipment Investment Holdings Company Limited ("CIMC Tank Equipment") and Sound Winner Holdings Limited ("Sound Winner"), a wholly-owned subsidiary of the Company, entered into an agreement for the acquisition of the entire equity interest in NCLS, for a consideration of RMB337,000,000 which was satisfied by Sound Winner procuring the allotment and issue of 39,740,566 ordinary shares by the Company to CIMC Tank Equipment at completion.

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.

Notes:

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

2. TGE (Germany) and TGE (Shanghai) are subsidiaries of CIMC HK, which is the controlling shareholder of the Company.

3. CIMC Tank Equipment is a wholly-owned subsidiary of CIMC HK, which is the controlling shareholder of the Company.

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 2014.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2014 Final Dividend, the register of members of the Company will be closed from Thursday, 28 May 2015 to Monday, 1 June 2015 (both days inclusive). In order to qualify for the 2014 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 Wednesday, 27 May 2015.

Subject to the approval by shareholders at the AGM to be held on 20 May 2015, the 2014 Final Dividend will be paid in cash on or about 22 June 2015 to shareholders whose names appear on the register of members of the Company on 1 June 2015 (the "Record Date").

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2014 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 2014 Final Dividend and dividends in subsequent years.

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 2014 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2014 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 Wednesday, 27 May 2015.

The Company is in the process of seeking confirmation from the relevant PRC authorities regarding the arrangement relating to withholding tax, if any, in respect of the 2014 Final Dividend to be paid by the Company to the investors of the Shanghai Stock Exchange who invest in the shares in the Company listed on the Main Board of the Stock Exchange. The Company will make further announcement(s) as soon as practicable after such arrangement is finalised.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2014 Final Dividend *(Continued)*

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 ended 31 December 2014, the Company repurchased 4,558,000 shares on the Stock Exchange at an aggregate consideration of HK$39,582,238.80. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate consideration HKD
September 2014	4,558,000	8.93	8.10	39,582,238.80

All 4,558,000 shares repurchased were cancelled on delivery of the share certificates during the year. The relevant aggregate consideration of HKD39,582,238.80 was paid out from the Company's capital and reserves accounts.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

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

On 4 June 2012, KPMG resigned from and PricewaterhouseCoopers was appointed as the external auditor of the Group.

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, 20 March 2015

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 135, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014, 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, 20 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000 (restated)
Turnover	4&13	**11,197,670**	10,171,813
Cost of sales		**(9,097,079)**	(8,096,447)
Gross profit		**2,100,591**	2,075,366
Change in fair value of derivative financial instruments		**(2,196)**	2,359
Other revenue	5	**244,524**	228,142
Other income/(expenses), net	5	**4,229**	(7,859)
Selling expenses		**(325,464)**	(274,856)
Administrative expenses		**(804,760)**	(792,640)
Profit from operations		**1,216,924**	1,230,512
Finance costs	6(a)	**(33,496)**	(35,188)
Share of post-tax loss of associates	19	**(1,497)**	–
Profit before taxation	6	**1,181,931**	1,195,324
Income tax expenses	7	**(146,868)**	(207,584)
Profit for the year		**1,035,063**	987,740
Attributable to:			
Equity shareholders of the Company		**1,023,330**	979,595
Non-controlling interests		**11,733**	8,145
Profit for the year		**1,035,063**	987,740
Earnings per share	12		
– Basic		**RMB 0.529**	RMB 0.509
– Diluted		**RMB 0.519**	RMB 0.498

The notes on pages 59 to 135 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 2014

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000 (restated)
Profit for the year	**1,035,063**	987,740
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(79,015)**	12,158
Total comprehensive income for the year	**956,048**	999,898
Attributable to:		
Equity shareholders of the Company	**944,315**	991,753
Non-controlling interests	**11,733**	8,145
Total comprehensive income for the year	**956,048**	999,898

The notes on pages 59 to 135 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	14	**2,004,504**	2,030,788
Construction in progress	15	**227,072**	84,479
Investment property	16	**38,982**	–
Lease prepayments	17	**440,373**	460,791
Intangible assets	18	**97,020**	123,220
Investment in associates	19	**4,457**	4,000
Goodwill	21	**129,341**	129,341
Other financial assets		**–**	59
Deferred tax assets	33(b)	**58,123**	57,763
		2,999,872	2,890,441
Current assets			
Derivative financial instruments	22	**29**	1,104
Inventories	23	**1,955,397**	2,494,944
Trade and bills receivables	24	**3,135,729**	2,437,086
Deposits, other receivables and prepayments	25	**552,941**	800,047
Amounts due from related parties	39(d)	**167,691**	80,279
Restricted bank deposits	27	**111,886**	133,378
Cash and cash equivalents	27	**1,677,737**	1,542,585
		7,601,410	7,489,423
Current liabilities			
Derivative financial instruments	22	**1,511**	390
Bank loans and overdrafts	28	**60,499**	134,493
Loans from related parties	39(e)	**110,000**	385,812
Trade and bills payables	29	**1,856,526**	1,856,517
Other payables and accrued expenses	30	**1,850,805**	2,077,725
Amounts due to related parties	39(d)	**99,737**	65,684
Warranty provision	31	**49,095**	42,337
Income tax payable	33(a)	**13,831**	32,577
Employee benefit liabilities	35	**148**	207
		4,042,152	4,595,742
Net current assets		**3,559,258**	2,893,681
Total assets less current liabilities		**6,559,130**	5,784,122

	Note	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000 (restated)
Non-current liabilities			
Bank loans	28	**25,223**	36,380
Warranty provision	31	**47,367**	43,364
Deferred tax liabilities	33(b)	**98,007**	111,467
Deferred income	34	**271,215**	268,213
Employee benefit liabilities	35	**1,175**	1,682
		442,987	461,106
NET ASSETS		**6,116,143**	5,323,016
CAPITAL AND RESERVES			
Share capital	36(b)	**17,699**	17,376
Reserves		**6,052,640**	5,271,569
Equity attributable to equity shareholders of the Company		**6,070,339**	5,288,945
Non-controlling interests		**45,804**	34,071
TOTAL EQUITY		**6,116,143**	5,323,016

The notes on pages 59 to 135 form an integral part of these consolidated financial statements.

The financial statements on pages 50 to 135 were approved by the Board of Directors on 20 March 2015 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Balance Sheet

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
		As at 31 December	
Non-current assets			
Investments in subsidiaries	20	**4,158,507**	4,144,571
Current assets			
Other receivables		**209**	19
Amounts due from subsidiaries	40	**1,004,744**	609,559
Cash and cash equivalents	27	**11,698**	12,092
		1,016,651	621,670
Current liabilities			
Bank loans	28	**35,499**	82,554
Other payables and accrued expenses		**9,410**	10,847
Amounts due to subsidiaries	40	**38,218**	99,906
		83,127	193,307
Net current assets		**933,524**	428,363
Total assets less current liabilities		**5,092,031**	4,572,934
Non-current liabilities			
Bank loans	28	**–**	35,380
NET ASSETS		**5,092,031**	4,537,554
Capital and reserves	36		
Share capital		**17,699**	17,376
Reserves		**5,074,332**	4,520,178
TOTAL EQUITY		**5,092,031**	4,537,554

The notes on pages 59 to 135 form an integral part of these financial statements.

The financial statements on pages 50 to 135 were approved by the Board of Directors on 20 March 2015 and were signed on its behalf.

Zhao Qingsheng
Director

Jin Jianlong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 36(b)	**Share premium** RMB'000 36(c)(i)	**Contributed surplus** RMB'000 36(c)(ii)	**Capital reserve** RMB'000 36(c)(iii)	**Exchange reserve** RMB'000 36(c)(iv)	**General reserve fund** RMB'000 36(c)(v)	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2013 (as previously reported)	17,282	197,080	810,822	62,906	(200,381)	236,672	2,927,532	4,051,913	25,926	4,077,839
Holvrieka (China) Co., Ltd. ("NCLS") under common control combination	–	–	295,495	–	(14,195)	–	(3,071)	278,229	–	278,229
At 1 January 2013 (restated)	17,282	197,080	1,106,317	62,906	(214,576)	236,672	2,924,461	4,330,142	25,926	4,356,068
Comprehensive income										
Profit for the year	–	–	–	–	–	–	979,595	979,595	8,145	987,740
Other comprehensive income										
Currency translation differences	–	–	–	–	12,158	–	–	12,158	–	12,158
Total comprehensive income	–	–	–	–	12,158	–	979,595	991,753	8,145	999,898
Issuance of ordinary 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	–	–	–	–	–	92,935	(92,935)	–	–	–
2012 final dividend paid	–	(105,993)	–	–	–	–	–	(105,993)	–	(105,993)
Capital injection by previous shareholders of NCLS under common control combination	–	–	29,043	–	–	–	–	29,043	–	29,043
Total contributions by and distributions to owners of the company, recognised directly in equity	94	(57,666)	29,043	(4,421)	–	92,935	(92,935)	(32,950)	–	(32,950)
At 31 December 2013 (restated)	17,376	139,414	1,135,360	58,485	(202,418)	329,607	3,811,121	5,288,945	34,071	5,323,016

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 36(b)	Share premium RMB'000 36(c)(i)	Contributed surplus RMB'000 36(c)(ii)	Capital reserve RMB'000 36(c)(iii)	Exchange reserve RMB'000 36(c)(iv)	General reserve fund RMB'000 36(c)(v)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014 (restated)	17,376	139,414	1,135,360	58,485	(202,418)	329,607	3,811,121	5,288,945	34,071	5,323,016
Comprehensive income										
Profit for the year	–	–	–	–	–	–	1,023,330	1,023,330	11,733	1,035,063
Other comprehensive income										
Currency translation differences	–	–	–	–	(79,015)	–	–	(79,015)	–	(79,015)
Total comprehensive income	–	–	–	–	(79,015)	–	1,023,330	944,315	11,733	956,048
Issuance of ordinary shares in connection with exercise of share options	44	19,916	–	(5,729)	–	–	–	14,231	–	14,231
Issuance of ordinary shares for acquisition	315	–	(315)	–	–	–	–	–	–	–
Cancellation of shares repurchased on open market	(36)	(31,406)	–	–	–	–	–	(31,442)	–	(31,442)
Transfer to retained earnings	–	–	–	(117)	–	–	117	–	–	–
Equity-settled share-based transactions (note 32)	–	–	–	34,761	–	–	–	34,761	–	34,761
Transfer to general reserve	–	–	–	–	–	43,706	(43,706)	–	–	–
2013 final dividend paid	–	–	–	–	–	–	(180,471)	(180,471)	–	(180,471)
Total contributions by and distributions to owners of the company, recognised directly in equity	323	(11,490)	(315)	28,915	–	43,706	(224,060)	(162,921)	–	(162,921)
At 31 December 2014	17,699	127,924	1,135,045	87,400	(281,433)	373,313	4,610,391	6,070,339	45,804	6,116,143

The notes on pages 59 to 135 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000 (restated)
		Year ended 31 December	
Operating activities			
Profit before taxation		**1,181,931**	1,195,324
Adjustments for:			
Depreciation and amortisation		**199,606**	190,357
Change in fair value of derivative financial instruments		**2,196**	(2,359)
Share of post-tax loss of associates		**1,497**	–
Interest income	5	**(16,753)**	(16,740)
Interest charges	6(a)	**30,197**	31,589
Gain from disposal of intangible assets		**(5,137)**	–
Net loss on disposal of property, plant and equipment and lease prepayment	5	**1,416**	319
Equity-settled share-based payment expenses	6(b)	**34,761**	9,554
Gain from disposal of available-for-sale equity interests	5	**(7,941)**	–
Foreign exchange loss	5	**2,147**	16,709
Operating profit before changes in working capital		**1,423,920**	1,424,753
Decrease/(increase) in inventories		**529,896**	(479,541)
Increase in trade and bill receivables		**(697,539)**	(386,736)
Decrease/(increase) in deposits, other receivables and prepayments		**247,106**	(322,167)
Increase in amounts due from related parties		**(87,412)**	(43,446)
Decrease/(increase) in restricted bank deposits		**21,492**	(76,484)
Increase in trade and bill payables		**9**	494,265
(Decrease)/increase in other payables and accrued expenses		**(226,920)**	718,103
Increase in amounts due to related parties		**34,053**	10,255
(Decrease)/increase in employee benefit liabilities		**(566)**	144
Increase in deferred income		**3,002**	24,225
Increase in warranty provisions		**11,436**	16,906
Cash generated from operations		**1,258,477**	1,380,277
Income tax paid	33(a)	**(169,955)**	(243,677)
Net cash from operating activities		**1,088,522**	1,136,600

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000 (restated)
		Year ended 31 December	
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(386,304)**	(301,221)
Payment for lease prepayments		**–**	(29,387)
Payment for acquisition of intangible assets		**(363)**	(7,933)
Proceeds from disposal of property, plant and equipment		**26,889**	1,876
Proceeds from disposal of lease prepayments		**9,788**	8,835
Proceeds from disposal of investment		**8,000**	–
Proceeds from disposal of intangible assets		**5,137**	–
Capital contribution to the associates		**(2,057)**	(2,000)
Interest received		**16,753**	16,740
Net cash used in investing activities		**(322,157)**	(313,090)
Financing activities			
Proceeds from new bank loans		**409,020**	461,150
Repayment of bank loans		**(492,666)**	(747,071)
Interest paid		**(32,374)**	(35,401)
Proceeds from issuance of ordinary shares		**14,231**	34,446
Repurchase of shares of the Company		**(31,442)**	–
Dividends paid to Company's shareholders		**(180,471)**	(105,993)
Loans from related parties		**245,000**	340,412
Repayment of loans from related parties		**(520,812)**	(185,033)
Net cash used in financing activities		**(589,514)**	(237,490)
Net increase in cash and cash equivalents		**176,851**	586,020
Cash and cash equivalents at 1 January		**1,541,080**	969,721
Effect of foreign exchange rate changes		**(40,194)**	(14,661)
Cash and cash equivalents at 31 December	27(b)	**1,677,737**	1,541,080

Note:

During the year, the Company engaged in non-cash investing activities in the way of acquiring a subsidiary by issuing ordinary shares as consideration and details of which are set out in note 2(b).

The notes on pages 59 to 135 form an integral part of these consolidated 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 20 March 2015.

2 Significant accounting policies

(a) Basis of preparation of the financial statements

The consolidated financial statements of CIMC Enric Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are prepared in accordance with the applicable disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3(b).

(b) Restatement due to common control combination

On 10 July 2014, Sound Winner Holdings Limited ("Sound Winner"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire from CIMC Tank Equipment Investment Holdings Company Limited ("CIMC Tank Equipment") 100% of the registered capital of Holvrieka (China) Co., Ltd. ("NCLS"). The acquisition was completed on 17 November 2014 when the consideration was satisfied by Sound Winner procuring the allotment and issue of 39,740,566 ordinary shares by the Company to CIMC Tank Equipment.

Since the Company, Sound Winner and NCLS 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 NCLS 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.

2 Significant accounting policies *(Continued)*

(b) Restatement due to common control combination *(Continued)*

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

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

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

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

Reconciliation of the results of operations for the year ended 31 December 2013 and the financial position as at 31 December 2013 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	For the year ended 31 December 2013				For the year ended 31 December 2014
	The Group RMB'000 (as previously reported)	**NCLS RMB'000**	**Elimination RMB'000**	**The Group RMB'000 (restated)**	**The Group RMB'000**
Results of operations					
Revenue	9,981,462	367,128	(176,777)	10,171,813	11,197,670
Profit from operations	1,202,748	27,764	–	1,230,512	1,216,924
Profit for the year	980,666	7,074	–	987,740	1,035,063
Profit for the year attributable to equity shareholders of the Company	972,521	7,074	–	979,595	1,023,330
Basic earnings per share (RMB)	0.516	–	–	0.509	0.529
Diluted earnings per share (RMB)	0.504	–	–	0.498	0.519

2 Significant accounting policies *(Continued)*

(b) Restatement due to common control combination *(Continued)*

	As at 31 December 2013				As at 31 December 2014
	The Group RMB'000 (as previously reported)	NCLS RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	The Group RMB'000
Financial position					
Current assets	7,068,984	442,340	(21,901)	7,489,423	7,601,410
Total assets	9,560,178	841,646	(21,960)	10,379,864	10,601,282
Current liabilities	4,090,343	527,300	(21,901)	4,595,742	4,042,152
Total liabilities	4,551,508	527,300	(21,960)	5,056,848	4,485,139
Equity attributable to equity shareholders of the Company	4,974,599	314,346	–	5,288,945	6,070,339

(c) Changes in accounting policies and disclosures

There are no new or 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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 Significant accounting policies *(Continued)*

(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.

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.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

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.

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 post-tax loss of associates' in the income statement.

2 Significant accounting policies *(Continued)*

(e) Associates *(Continued)*

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(n)).

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(n)).

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(n)).

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(y)(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(y)(vi). When these investments are derecognised or impaired (see note 2(n)), 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(n)).

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(aa)).

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.

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(n)). 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) Investment property

Property that is held for long-term rental yields and not occupied by the Group, is classified as investment property.

Investment property is stated at historical cost less accumulated depreciation and impairment loss, if any. It is depreciated using the straight-line method over its estimated useful life of 30 years. Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

(k) 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(aa)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(n)). 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(n)). 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.

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

2 Significant accounting policies *(Continued)*

(m) 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.

(n) 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.

2 Significant accounting policies *(Continued)*

(n) Impairment of assets *(Continued)*

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

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

– For investments in subsidiaries in the Company's financial statements, and investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(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(n)(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.

– 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.

2 Significant accounting policies *(Continued)*

(n) Impairment of assets *(Continued)*

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction in progress;

– investment property;

– lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and associates

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

2 Significant accounting policies *(Continued)*

(n) 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(n)(i) and (ii)).

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

2 Significant accounting policies *(Continued)*

(o) 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.

(p) 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(y)(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”.

(q) 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(n)).

(r) Interest-bearing borrowings

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

2 Significant accounting policies *(Continued)*

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

(t) 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.

(u) 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.

(v) Employee benefits

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(v) Employee benefits *(Continued)*

(ii) Share-based payments

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

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

(w) Income tax

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

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

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

2 Significant accounting policies *(Continued)*

(w) Income tax *(Continued)*

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies *(Continued)*

(x) 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.

(y) Revenue recognition

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

(i) Sale of goods

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

(ii) Contract revenue

When the outcome of a project engineering contract can be estimated reliably:

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

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

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

(iii) Services

Revenue from services is recognised in the income statement at the time when services are rendered.

(iv) Rental income from operating leases

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

2 Significant accounting policies *(Continued)*

(y) 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.

(z) Translation of foreign currencies

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

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

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(aa) 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.

(ab) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 Significant accounting policies *(Continued)*

(ac) 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 21, 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(n)) 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 and investment property are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

3 Accounting estimates and judgements *(Continued)*

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

(iii) Warranty provisions

As explained in note 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(p) and (y)(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:

	2014 **RMB'000**	2013 RMB'000 (restated)
Sales of goods	**8,122,139**	7,985,712
Revenue from project engineering contracts	**3,075,531**	2,186,101
	11,197,670	10,171,813

5 Other revenue and other income/(expenses), net

		2014 RMB'000	2013 RMB'000 (restated)
Other revenue			
Government grants	(i)	**37,609**	87,208
Other operating revenue	(ii)	**182,221**	124,194
Interest income from bank deposits		**16,753**	16,740
Investment income	(iii)	**7,941**	–
		244,524	228,142

(i) Government grants represent various forms of incentives and subsidies given to the Company's 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.

(iii) Investment income represents the gain from disposal of available-for-sale equity interests.

	2014 RMB'000	2013 RMB'000 (restated)
Other income/(expenses), net		
Net loss on disposal of property, plant and equipment and lease prepayments	**(1,416)**	(319)
Charitable donations	**(86)**	(21)
Foreign exchange loss	**(2,147)**	(16,709)
Other net income	**7,878**	9,190
	4,229	(7,859)

6 Profit before taxation

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000 (restated)
Interest on bank loans and other borrowings	**32,374**	35,401
Less: interest capitalised	**(2,177)**	(3,812)
	30,197	31,589
Bank charges	**3,299**	3,599
	33,496	35,188

(b) Staff costs[(i)]

	2014 RMB'000	2013 RMB'000 (restated)
Salaries, wages and allowances	**1,161,651**	1,147,467
Contributions to retirement schemes (note 37)	**59,174**	53,610
Equity-settled share-based payment expenses (note 32)	**34,761**	9,554
	1,255,586	1,210,631

6 Profit before taxation *(Continued)*

(c) Other items

	2014 RMB'000	2013 RMB'000 (restated)
Cost of inventories[(i)]	**6,575,650**	6,348,610
Auditors' remuneration	**5,055**	4,891
Depreciation of property, plant and equipment[(i)]	**170,035**	159,895
Amortisation of intangible assets	**18,942**	19,499
Amortisation of lease prepayments	**10,629**	10,963
Impairment provision for trade receivables	**17,491**	7,567
Reversal of impairment provision for trade receivables	**(319)**	(7,998)
Impairment provision for other receivables	**–**	1,229
Reversal of impairment provision for other receivables	**(1,836)**	(3,283)
Write-down of inventories	**7,611**	1,309
Reversal of write-down of inventories	**(394)**	(1,420)
Research and development costs	**183,814**	148,211
Operating lease charges for property rental	**11,559**	9,343
Provision for product warranties	**41,459**	43,514

(i) Cost of inventories includes RMB390,172,000 (2013: RMB324,756,000) 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:

	2014 RMB'000	2013 RMB'000 (restated)
Current tax		
Provision for the year	**167,269**	202,967
Over-provision in respect of prior years	**(16,023)**	(4,336)
	151,246	198,631
Deferred tax		
Origination and reversal of temporary differences	**(4,378)**	8,953
	146,868	207,584

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.

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, "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 certain foreign subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the year, the deferred withholding tax liability of approximately RMB59,053,000 previously provided for the distributable profits of PRC subsidiaries was reversed (note (b) below and note 33(b)) and credited to income tax.

Taxation of subsidiaries in the Netherlands, Belgium, Denmark and Germany are charged at the prevailing rates of 25%, 33.99%, 25% and 30% respectively in the relevant countries and are calculated on a stand-alone basis.

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

	2014 RMB'000	2013 RMB'000 (restated)
Profit before taxation	**1,181,931**	1,195,324
Notional tax on profit before taxation, calculated at the applicable rates	**314,537**	309,797
Effect of tax concessions	**(95,919)**	(113,011)
Tax effect of non-taxable income	**(6,058)**	(7,068)
Tax effect of non-deductible expenses	**8,714**	5,073
Tax effect of unused tax losses not recognised	**672**	–
Deferred tax (reversal)/charge on distributable profits	**(59,053)**	17,634
Over-provision in prior years	**(16,023)**	(4,336)
Utilisation of tax losses	**(2)**	(505)
Actual tax expense	**146,868**	207,584

8 Directors' remuneration

Details of Directors' and chief executive's remuneration for the year ended 31 December 2014 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	–	–	–	–	–	474	474
Executive Directors:							
Gao Xiang (ii)	–	1,159	12	1,517	2,688	399	3,087
Jin Jianlong	–	–	–	–	–	289	289
Yu Yuqun	143	–	–	–	143	289	432
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	289	289
Independent Non-executive Directors:							
Tsui Kei Pang	143	–	–	–	143	398	541
Wong Chun Ho	143	–	–	–	143	398	541
Zhang Xueqian	143	–	–	–	143	398	541
	572	1,159	12	1,517	3,260	2,934	6,194

8 Directors' remuneration *(Continued)*

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

(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(v)(ii).

(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.

9 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2013: five) individuals with the highest emoluments, including one Director, are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**7,574**	7,508
Bonuses	**5,100**	3,402
Share-based payments	**494**	959
Retirement scheme contributions	**1,687**	376
	14,855	12,245

The emoluments of the five (2013: five) individuals including one Director with the highest emoluments are within the following bands:

	2014 Number of Individuals	2013 Number of Individuals
HKD2,000,001 – HKD2,500,000	**–**	2
HKD2,500,001 – HKD3,000,000	**–**	1
HKD3,000,001 – HKD3,500,000	**2**	1
HKD3,500,001 – HKD4,000,000	**2**	1
HKD4,000,001 – HKD 4,500,000	**–**	–
HKD4,500,001 – HKD 5,000,000	**1**	–

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 RMB453,307,000 (2013: RMB189,478,000).

11 Dividends

The final dividend of approximately RMB180,471,000 (HKD0.12 per share) in respect of the year ended 31 December 2013 was paid in 2014. A final dividend in respect of the year ended 31 December 2014 of HKD0.195 (equivalent to approximately RMB0.155) per share has been proposed by the Directors. The proposed final dividend in respect of 2014 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.

	2014 **RMB'000**	2013 RMB'000
Proposed final dividend HKD0.195 (2013: HKD0.12) per ordinary share	**299,380**	180,471

12 Earnings per share

As detailed in note 2(b), the Company has applied merger accounting to account for the acquisitions of NCLS which are under common control in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" under which the consolidated financial statements have been prepared on the basis that the Company was the holding company of the acquired subsidiaries for both years presented, rather than the date of completion. The Company has issued 39,740,566 ordinary shares as consideration for the acquisition. In the calculation of weighted average number of ordinary shares and non-redeemable convertible preference shares in issue, these shares have been treated as if they had been in issue during both years presented.

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

	2014 **RMB'000**	2013 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**1,023,330**	979,595

12 Earnings per share *(Continued)*

	2014	2013 (restated)
Number of shares		
Weighted average number of ordinary shares at 31 December	**1,933,527,891**	1,753,018,126
Weighted average number of non-redeemable convertible preference shares	**–**	170,876,712
Weighted average number of shares for the purpose of basic earnings per share	**1,933,527,891**	1,923,894,838
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme (note 32)	**37,226,678**	44,210,436
Weighted average number of shares for the purpose of diluted earnings per share	**1,970,754,569**	1,968,105,274

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 based on the economic characteristics of the business units.

- 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; and the provision of engineering, procurement and construction services for the natural gas industry.

- 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; and the provision of engineering, procurement and construction services for the brewery industry as well as other liquid food industries.

13 Segment reporting *(Continued)*

(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 the Group's profits, the reporting segments' adjusted profits from operations are further adjusted for items not specifically attributed to an individual reportable segment, such as finance costs, share of post-tax loss of associates, 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.

13 Segment reporting *(Continued)*

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

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2014 RMB'000	2013 RMB'000 (restated)	2014 RMB'000	2013 RMB'000 (restated)	2014 RMB'000	2013 RMB'000 (restated)	2014 RMB'000	2013 RMB'000 (restated)
Revenue from external customers	5,422,026	5,371,550	3,313,910	3,092,929	2,461,734	1,707,334	11,197,670	10,171,813
Inter-segment revenue	1,376	13,324	85,480	108,328	–	–	86,856	121,652
Reportable segment revenue	5,423,402	5,384,874	3,399,390	3,201,257	2,461,734	1,707,334	11,284,526	10,293,465
Reportable segment profit (adjusted profit from operations)	600,997	756,380	484,800	497,941	249,661	115,473	1,335,458	1,369,794
Interest income from bank deposits	5,007	1,364	5,477	5,882	5,460	7,542	15,944	14,788
Interest expense	(6,928)	(9,419)	(2,271)	(2,168)	(18,290)	(15,360)	(27,489)	(26,947)
Depreciation and amortisation for the year	(115,452)	(108,929)	(31,442)	(28,379)	(52,284)	(52,728)	(199,178)	(190,036)
Reportable segment assets	6,048,600	5,958,303	2,077,285	2,011,298	2,372,517	2,324,409	10,498,402	10,294,010
Additions to non-current assets during the year	188,096	204,380	112,282	49,953	88,257	91,718	388,635	346,051
Reportable segment liabilities	2,503,883	2,755,846	588,893	596,611	1,154,667	1,357,581	4,247,443	4,710,038

13 Segment reporting *(Continued)*

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

	2014 RMB'000	2013 RMB'000 (restated)
Revenue		
Reportable segment revenue	**11,284,526**	10,293,465
Elimination of inter-segment revenue	**(86,856)**	(121,652)
Consolidated turnover	**11,197,670**	10,171,813

	2014 RMB'000	2013 RMB'000 (restated)
Profit		
Reportable segment profit	**1,335,458**	1,369,794
Elimination of inter-segment profit	**(12,968)**	(22,181)
Reportable segment profit derived from Group's external customers	**1,322,490**	1,347,613
Finance costs	**(33,496)**	(35,188)
Share of post-tax loss of associates	**(1,497)**	–
Unallocated operating income and expenses	**(105,566)**	(117,101)
Consolidated profit before taxation	**1,181,931**	1,195,324

	2014 RMB'000	2013 RMB'000 (restated)
Assets		
Reportable segment assets	**10,498,402**	10,294,010
Elimination of inter-segment receivables	**(48,781)**	(73,193)
	10,449,621	10,220,817
Deferred tax assets	**58,123**	57,763
Unallocated assets	**93,538**	101,284
Consolidated total assets	**10,601,282**	10,379,864

13 Segment reporting *(Continued)*

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

	2014 RMB'000	2013 RMB'000 (restated)
Liabilities		
Reportable segment liabilities	**4,247,443**	4,710,038
Elimination of inter-segment payables	**(48,781)**	(73,193)
	4,198,662	4,636,845
Income tax liabilities	**13,831**	32,577
Deferred tax liabilities	**98,007**	111,467
Unallocated liabilities	**174,639**	275,959
Consolidated total liabilities	**4,485,139**	5,056,848

(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	
	2014 RMB'000	2013 RMB'000 (restated)	2014 RMB'000	2013 RMB'000 (restated)
PRC (place of domicile)	**6,203,719**	5,866,687	**2,601,359**	2,487,350
United States	**912,285**	909,063	**–**	–
European countries	**1,380,714**	1,988,594	**338,780**	343,432
Asian countries (other than PRC)	**1,241,259**	1,208,759	**–**	–
Other American countries	**1,322,058**	111,856	**–**	–
Other countries	**137,635**	86,854	**–**	–
	4,993,951	4,305,126	**338,780**	343,432
	11,197,670	10,171,813	**2,940,139**	2,830,782

For the year ended 31 December 2014, there was no single external customer that accounted for 10% or more of the Group's total turnover (2013: nil).

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 2013 (restated)	1,342,194	1,737	1,025,382	67,558	169,695	2,606,566
Additions	1,055	–	43,822	9,699	8,535	63,111
Disposals	(3,422)	–	(5,603)	(6,985)	(3,701)	(19,711)
Transfers from construction in progress	186,156	–	149,478	3,994	10,362	349,990
Exchange adjustment	4,118	–	3,116	205	344	7,783
At 31 December 2013 (restated)	1,530,101	1,737	1,216,195	74,471	185,235	3,007,739
At 1 January 2014	1,530,101	1,737	1,216,195	74,471	185,235	3,007,739
Additions	65,432	–	23,550	5,741	12,427	107,150
Disposals	(26,098)	(1,652)	(23,667)	(3,964)	(2,655)	(58,036)
Transfers from construction in progress	60,020	–	71,815	906	5,997	138,738
Transfers to investment property	(96,128)	–	–	–	–	(96,128)
Exchange adjustment	(44,016)	–	(30,297)	(1,838)	(6,594)	(82,745)
At 31 December 2014	**1,489,311**	**85**	**1,257,596**	**75,316**	**194,410**	**3,016,718**
Accumulated depreciation:						
At 1 January 2013 (restated)	(219,547)	(1,026)	(463,628)	(41,409)	(101,215)	(826,825)
Charge for the year	(50,479)	(154)	(81,152)	(8,243)	(19,867)	(159,895)
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 (restated)	(270,950)	(1,180)	(543,243)	(43,448)	(118,130)	(976,951)
At 1 January 2014	(270,950)	(1,180)	(543,243)	(43,448)	(118,130)	(976,951)
Charge for the year	(53,318)	–	(89,777)	(4,756)	(22,184)	(170,035)
Written back on disposals	6,652	1,095	15,935	3,801	2,248	29,731
Transfers to investment property	57,146	–	–	–	–	57,146
Exchange adjustment	14,260	–	26,517	1,054	6,064	47,895
At 31 December 2014	**(246,210)**	**(85)**	**(590,568)**	**(43,349)**	**(132,002)**	**(1,012,214)**
Net book value:						
At 31 December 2014	**1,243,101**	**–**	**667,028**	**31,967**	**62,408**	**2,004,504**
At 31 December 2013 (restated)	1,259,151	557	672,952	31,023	67,105	2,030,788

As at 31 December 2014, the Group was in the process of registering the title of buildings with net book value of RMB345,417,000 (2013: RMB379,721,000).

No property, plant and equipment is restricted or pledged as security for liabilities as at 31 December 2014 (2013: nil).

15 Construction in progress

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
At 1 January	**84,479**	192,549
Additions	**281,331**	241,924
Transfers to property, plant and equipment	**(138,738)**	(349,990)
Exchange adjustment	**–**	(4)
At 31 December	**227,072**	84,479

16 Investment property

	The Group
	2014 **RMB'000**
At 31 December 2014	
Cost	**96,128**
Accumulated depreciation	**(57,146)**
Net book amount	**38,982**

The Group's property interest held under operating leases for the purpose of earning rentals is accounted for as investment property measured using the cost model. During the year, an existing property located in the Netherlands was transferred from owner-occupied property to investment property after a change in use.

The fair value of the Group's investment property as determined by the Directors of the Company approximated its net book value as at 31 December 2014. The fair value measurement of the investment property is categorised within level 3 of the fair value hierarchy.

The property has a lease period of five years and the rental income in 2014 was RMB2,091,000.

17 Lease prepayments

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Cost:		
At 1 January	**509,382**	488,831
Additions	**–**	29,387
Disposals	**(11,497)**	(8,835)
At 31 December	**497,885**	509,383
Accumulated amortisation:		
At 1 January	**(48,592)**	(38,630)
Charge for the year	**(10,629)**	(10,963)
Written back on disposals	**1,709**	1,001
At 31 December	**(57,512)**	(48,592)
Net book value:		
At 31 December	**440,373**	460,791

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 33 to 49 years as at 31 December 2014 (2013: 34 to 50 years).

18 Intangible assets

	The Group	
	2014 **RMB'000**	2013 RMB'000
Cost:		
At 1 January	**194,651**	185,357
Additions	**363**	7,933
Exchange adjustment	**(12,758)**	1,361
At 31 December	**182,256**	194,651
Accumulated amortisation:		
At 1 January	**(71,431)**	(51,381)
Charge for the year	**(18,942)**	(19,499)
Exchange adjustment	**5,137**	(551)
At 31 December	**(85,236)**	(71,431)
Net book value:		
At 31 December	**97,020**	123,220

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.

19 Investment in associates

The movement of the investment in associates during the year is as follows:

	The Group	
	2014 **RMB'000**	2013 RMB'000
At 1 January	**4,000**	–
Addition	**2,057**	4,000
Share of post-tax loss of associates	**(1,497)**	–
Exchange adjustment	**(103)**	–
At 31 December	**4,457**	4,000

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

20 Investments in subsidiaries

	The Company 2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**4,158,507**	4,144,571

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

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Enric Investment Group Limited	British Virgin Islands 1 May 2002	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Enric (Bengbu) Compressor Company Limited	PRC 14 March 2002	Registered and paid-in capital of HKD60,808,385	–	100%	Manufacture and sale of compressors and related accessories
Enric Anhui Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Shijiazhuang Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1,000	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	Paid-in capital of HKD1	–	100%	Investment holding

20 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CIMC Enric Hong Kong Limited	Hong Kong 15 October 2007	Paid-in capital of HKD1	100%	–	Investment holding
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of 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

20 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Win Score Investments Limited	Hong Kong 29 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Nantong CIMC Tank Equipment Co., Ltd. ("Nantong Tank")	PRC 14 August 2003	Registered and paid-in capital of USD25,000,000	–	100%	Production and sales of tank containers
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("CIMC Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB795,532,042 and RMB364,862,042 respectively	–	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.	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

20 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
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 International B.V. (formerly known as Holvrieka Nirota B.V.)	The Netherlands 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka N.V.	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka Danmark A/S	Denmark 2 March 1978	Registered and paid-in capital of DKK1,000,001	–	100%	Sales, engineering and manufacturing of tanks
Enric Gas Equipment Yangzhou Company Limited	PRC 13 October 2010	Registered and paid-in capital of RMB12,000,000	–	100%	Repair and maintenance of pressure vessels
CIMC Enric Investment Holdings (Shenzhen) Limited	PRC 10 December 2010	Registered and paid-in capital of USD30,000,000	–	100%	Investment holding
CIMC Enric International Trading Limited	Hong Kong 15 October 2007	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 RMB60,000,000	–	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

20 Investments in subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
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
Enric Management Limited	British Virgin Islands 30 May 2014	Authorised capital of 50,000 no par value shares and paid-in capital of RMB20,000	100%	–	Investment holding
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC 11 September 2014	Registered and paid-in capital of RMB20,000,000 and RMB10,000,000 respectively	–	100%	Manufacture and sale of pressure vessels
Holvrieka (China) Co., Ltd. ("NCLS")	PRC 20 December 2007	Registered and paid-in capital of USD47,700,000	–	100%	Manufacture and sale of tanks

(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.

21 Goodwill

	The Group	
	2014 **RMB'000**	2013 RMB'000
Cost		
At 1 January and 31 December	**129,341**	129,341

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

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

	2014 **RMB'000**	2013 RMB'000
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	**129,341**	129,341

It is estimated that the recoverable amount of each CGU is larger than the carrying amount of the net assets attributable to the CGU, including goodwill, as at 31 December 2014 and 2013. 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. The cash flows beyond the five-year budget period were assumed to remain stable.

21 Goodwill *(Continued)*

For the significant amount of goodwill allocated to the CGU relating to YDPI, the key assumptions and discount rate used in the value-in-use calculations in 2014 and 2013 are as follows.

	The Group	
	2014	2013
Turnover (average annual growth rate)	**30%**	30%
Gross margin (% of revenue)	**18%**	18%
Other operating costs (RMB'000)	**34,000**	34,000
Pre-tax discount rate	**14.8%**	8.7%

Turnover is the average annual growth rate over the five-year forecast period. It is based on the CGU's growth forecasts and the average long-term growth rate for the relevant industry.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is determined based on the CGU's past performance and their expectations for market development.

Other operating costs are the fixed costs of the CGU, which do not vary significantly with turnover. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

22 Derivative financial instruments

	The Group 2014		The Group 2013	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000 (restated)	Liabilities RMB'000 (restated)
Forward foreign exchange contracts	**29**	**1,511**	1,104	390

At 31 December 2014, 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.

23 Inventories

(a) Inventories in the balance sheet comprise:

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Raw materials	**720,510**	768,672
Consignment materials	**79,274**	98,139
Work in progress	**560,945**	917,303
Finished goods	**594,668**	710,830
	1,955,397	2,494,944

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

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Carrying amount of inventories sold	**6,575,650**	6,348,610
Write-down of inventories	**7,611**	1,309
Reversal of write-down of inventories	**(394)**	(1,420)
	6,582,867	6,348,499

24 Trade and bills receivables

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Trade debtors and bills receivables	**3,192,176**	2,500,684
Less: allowance for doubtful debts	**(56,447)**	(63,598)
	3,135,729	2,437,086

(a) Ageing analysis

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

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Current	**2,331,097**	1,777,590
Less than 1 month past due	**146,710**	228,679
1 to 3 months past due	**278,644**	109,068
More than 3 months but less than 12 months past due	**304,281**	243,914
More than 12 months past due	**74,997**	77,835
Amounts past due	**804,632**	659,496
	3,135,729	2,437,086

Trade and bills 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 bills receivables approximate their fair values.

24 Trade and bills receivables *(Continued)*

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless it is concluded that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 2(n)(i)).

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

	The Group	
	2014 RMB'000	2013 RMB'000 (restated)
At 1 January	**63,598**	64,599
Impairment loss recognised	**17,491**	7,567
Reversal of provision	**(319)**	(7,998)
Uncollectible amounts written off	**(23,218)**	(895)
Exchange adjustment	**(1,105)**	325
At 31 December	**56,447**	63,598

At 31 December 2014, the Group's trade receivables of RMB317,130,000 (2013: RMB148,130,000) 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 RMB56,447,000 (2013: RMB63,598,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

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

	The Group	
	2014 RMB'000	2013 RMB'000 (restated)
Neither past due nor impaired	**2,331,097**	1,777,590
Less than 1 month past due	**99,760**	210,190
1 to 3 months past due	**153,888**	104,804
More than 3 months but less than 12 months past due	**234,566**	206,471
More than 12 months past due	**55,735**	53,498
	543,949	574,963
	2,875,046	2,352,553

24 Trade and bills receivables *(Continued)*

(c) Trade and bills 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	
	2014	2013
	RMB'000	RMB'000
		(restated)
Advances to suppliers	**150,203**	177,268
Deposits for tenders, contract work and equipment purchase	**66,888**	76,953
Staff advances	**10,920**	11,471
Deductible input value-added tax ("VAT")	**18,994**	23,036
Prepayments for services	**12,116**	58,528
Amount due from customers for contract work	**228,078**	402,530
Others	**65,742**	50,261
	552,941	800,047

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 amounts due from customers for contract work as set out in note 25 represent the aggregate amounts of costs incurred plus recognised profits less recognised losses to date on project engineering contracts of RMB1,235,411,000 (2013: RMB687,309,000), less progress payments received.

No gross amount due from/to customers for contract work at 31 December 2014 and 2013 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 2014 and 2013 are RMB63,308,000 and RMB10,969,000 respectively. The amount of retentions is expected to be recovered within one year.

27 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

As at 31 December 2014, bank deposits of RMB111,886,000 (2013: RMB133,378,000) were restricted as deposits for banking facilities.

(b) Cash and cash equivalents

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (restated)	**2014 RMB'000**	2013 RMB'000
Cash in hand and demand deposits	**1,676,682**	1,542,064	**11,698**	12,092
Restricted bank deposits within three months of maturity	**1,055**	521	**–**	–
Cash and cash equivalents (as shown in the balance sheet)	**1,677,737**	1,542,585	**11,698**	12,092

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000 (restated)	**2014 RMB'000**	2013 RMB'000 (restated)
Cash and cash equivalents	**1,677,737**	1,542,585	**11,698**	12,092
Bank overdrafts	**–**	(1,505)	**–**	–
Cash and cash equivalents (as shown in the statement of cash flows)	**1,677,737**	1,541,080	**11,698**	12,092

28 Bank loans and overdrafts

At 31 December 2014, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Within 1 year or on demand	**60,499**	134,493	**35,499**	82,554
After 1 year but within 2 years	**25,223**	35,380	**–**	35,380
After 2 years but within 5 years	**–**	1,000	**–**	–
	25,223	36,380	**–**	35,380
	85,722	170,873	**35,499**	117,934

At 31 December 2014, the bank loans and overdrafts, all of which are unsecured, comprised:

	The Group		The Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Bank overdrafts	**–**	1,505	**–**	–
Bank loans	**85,722**	169,368	**35,499**	117,934
	85,722	170,873	**35,499**	117,934

The Group's bank loans of RMB85,722,000 (2013: RMB169,368,000) and the Company's bank loans of RMB35,499,000 (2013: RMB117,934,000) were under the terms of cross-guarantee provided by the subsidiaries of the Company. The annual rate of interest charged on the bank loans ranged from 1.98% to 6.15% for the year ended 31 December 2014 (2013: 1.98% 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. 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 2014, none of the covenants relating to drawn down facilities had been breached (2013: nil).

29 Trade and bills payables

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Trade creditors	**1,675,450**	1,518,764
Bills payables	**181,076**	337,753
	1,856,526	1,856,517

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

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Within 3 months	**1,580,333**	1,643,183
3 months to 12 months	**246,642**	187,104
Over 12 months	**29,551**	26,230
	1,856,526	1,856,517

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

30 Other payables and accrued expenses

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
Advances from customers	**1,159,540**	1,296,794
Payables for construction work	**42,156**	171,124
Accrued expenses	**185,300**	101,372
Employees' salary, bonus and welfare	**310,670**	343,137
Other surcharges payable	**6,749**	10,964
Other taxes payable	**84,064**	38,676
Directors' remuneration	**284**	288
Deposits received	**35,255**	38,262
Others	**26,787**	77,108
	1,850,805	2,077,725

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

31 Warranty provision

	The Group	
	2014 **RMB'000**	2013 RMB'000 (restated)
At 1 January	**85,701**	70,238
Additional provision made	**41,459**	43,514
Provisions utilised	**(30,021)**	(26,608)
Exchange adjustment	**(677)**	(1,443)
At 31 December	**96,462**	85,701
Represented by:		
Current portion	**49,095**	42,337
Non-current portion	**47,367**	43,364
Balance at 31 December	**96,462**	85,701

The Group provides one to three year warranty period for certain products. Provision is 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.

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 of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company 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
– on 5 June 2014	2,700,000	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
– on 5 June 2014	35,720,000	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	120,370,000		

32 Equity-settled share-based transactions *(Continued)*

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

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD3.14**	**58,638,000**	HKD3.22	71,546,000
Granted during the year	**HKD11.24**	**38,420,000**	–	–
Forfeited during the year	**HKD2.48**	**(510,000)**	HKD2.48	(1,070,000)
Exercised during the year	**HKD3.21**	**(5,595,000)**	HKD3.64	(11,838,000)
Lapsed during the year	**HKD4.00**	**(90,000)**		–
Outstanding at the end of the year	**HKD6.57**	**90,863,000**	HKD3.14	58,638,000
Exercisable at the end of the year		**42,003,000**		37,128,000

The options outstanding at 31 December 2014 had an exercise price of HKD2.48, HKD4.00 or HKD11.24 (2013: HKD2.48 or HKD4.00) and a weighted average remaining contractual life of 7.44 years (2013: 6.97 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%

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%

Date granted	5 June 2014
Fair value at measurement date	HKD4.70
Share price	HKD11.00
Exercise price	HKD11.24
Expected volatility	45.89%
Option life	10 years
Expected dividends	1.55%
Risk-free interest rate	2.04%

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	
	2014 **RMB'000**	2013 RMB'000 (restated)
Current tax payable at the beginning of the year	**32,577**	77,581
Provision for income tax on profit for the year	**151,246**	198,631
Current tax paid	**(169,955)**	(243,677)
Exchange adjustment	**(37)**	42
Current tax payable at the end of the year	**13,831**	32,577

33 Income tax in the balance sheet *(Continued)*

(b) Deferred tax assets and liabilities recognised:

	The Group	
	2014 RMB'000	2013 RMB'000 (restated)
Deferred tax assets recognised on the consolidated balance sheet	**58,123**	57,763
Deferred tax liabilities recognised on the consolidated balance sheet	**(98,007)**	(111,467)
Deferred tax liabilities (net)	**(39,884)**	(53,704)

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 2013 (restated)	10,687	(61,338)	10,248	(3,458)	(313)	(27,965)	33,792	412	1,757	(8,252)	(44,430)
Credited/(charged) to the income statement	181	19,829	1,576	109	–	(31,088)	(465)	(519)	(33)	1,456	(8,954)
Exchange adjustment	–	(271)	–	–	–	–	–	–	22	(71)	(320)
At 31 December 2013 (restated)	10,868	(41,780)	11,824	(3,349)	(313)	(59,053)	33,327	(107)	1,746	(6,867)	(53,704)
At 1 January 2014	**10,868**	**(41,780)**	**11,824**	**(3,349)**	**(313)**	**(59,053)**	**33,327**	**(107)**	**1,746**	**(6,867)**	**(53,704)**
Credited/(charged) to the income statement	**1,508**	**3,345**	**169**	**151**	**–**	**59,053**	**(2,282)**	**329**	**1,030**	**(58,925)**	**4,378**
Exchange adjustment	**–**	**3,936**	**–**	**–**	**–**	**–**	**–**	**–**	**(287)**	**5,793**	**9,442**
At 31 December 2014	**12,376**	**(34,499)**	**11,993**	**(3,198)**	**(313)**	**–**	**31,045**	**222**	**2,489**	**(59,999)**	**(39,884)**

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(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB13,808,000 (2013: RMB14,933,000) 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.

34 Deferred income

	The Group	
	2014 **RMB'000**	2013 RMB'000
At 1 January	**268,213**	243,988
Received during the year	**15,000**	46,463
Recognised in the income statement	**(11,998)**	(22,238)
At 31 December	**271,215**	268,213

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 match the depreciation charge of the relevant assets after the completion.

35 Employee benefit liabilities

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

36 Capital and reserves

(a) Movements in components of equity

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

	Share capital RMB'000 36(b)	Share premium RMB'000 36(c)(i)	Contributed surplus RMB'000 36(c)(ii)	Capital reserve RMB'000 36(c)(iii)	Exchange reserve RMB'000 36(c)(iv)	Retained profits RMB'000	Total RMB'000
At 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 and 1 January 2014	**17,376**	**139,414**	**4,652,862**	**58,485**	**(567,087)**	**236,504**	**4,537,554**
2013 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(180,471)**	**(180,471)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**12,984**	**453,307**	**466,291**
Issuance of shares in connection with exercise of share options	**44**	**19,916**	**–**	**(5,729)**	**–**	**–**	**14,231**
Issue ordinary shares for acquisition	**315**	**–**	**250,792**	**–**	**–**	**–**	**251,107**
Cancellation of shares repurchased from open market	**(36)**	**(31,406)**	**–**	**–**	**–**	**–**	**(31,442)**
Transfer to retained earnings	**–**	**–**	**–**	**(117)**	**–**	**117**	**–**
Equity-settled share-based transactions (note 32)	**–**	**–**	**–**	**34,761**	**–**	**–**	**34,761**
At 31 December 2014	**17,699**	**127,924**	**4,903,654**	**87,400**	**(554,103)**	**509,457**	**5,092,031**

36 Capital and reserves *(Continued)*

(b) Share capital

	2014 Number of shares	2014 RMB'000	2013 Number of shares	2013 RMB'000
Authorised:				
Ordinary shares of the Company of HKD 0.01 each (i)	**10,000,000,000**		10,000,000,000	
Non-redeemable convertible preference shares of the Company of HKD 0.01 each (ii)	**2,000,000,000**		2,000,000,000	
Issued and fully paid:				
Ordinary shares				
At 31 December	**1,931,483,088**	**17,699**	1,890,705,522	17,376

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

	2014 Number of shares of HKD0.01 each	2014 RMB'000	2013 Number of shares of HKD0.01 each	2013 RMB'000
Ordinary Shares				
At 1 January	**1,890,705,522**	**17,376**	1,383,867,522	12,918
Issue of shares upon conversion of non-redeemable convertible preference shares	**–**	**–**	495,000,000	4,364
Exercise of share options (note 32)	**5,595,000**	**44**	11,838,000	94
Issue ordinary shares for acquisition (iii)	**39,740,566**	**315**	–	–
Cancellation of shares repurchased from market (iv)	**(4,558,000)**	**(36)**	–	–
At 31 December	**1,931,483,088**	**17,699**	1,890,705,522	17,376
Non-redeemable convertible preference shares				
At 1 January	**–**	**–**	495,000,000	4,364
Conversion to ordinary shares	**–**	**–**	(495,000,000)	(4,364)
At 31 December	**–**	**–**	–	–

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.

As at 31 December 2014 and 2013, all issued convertible preference shares of the Company were converted to ordinary shares.

(iii) On 17 November 2014, Sound Winner completed the acquisition from CIMC Tank Equipment 100% of the issued share capital of NCLS. The consideration was satisfied by the allotment and issue of 39,740,566 ordinary shares by the Company to CIMC Tank Equipment.

(iv) In September 2014, the Company repurchased 4,558,000 shares of the Company on the Stock Exchange.

36 Capital and reserves *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

The contributed surplus of the Group includes the difference between

(a) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and 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 for the acquisition of certain subsidiaries during the year ended 31 December 2009;

(c) the registered capital of Nantong Transport acquired of RMB69,945,550; and the aggregate cash consideration paid by the Group of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012; and

(d) the registered capital of NCLS acquired of RMB324,539,380; and the nominal value of the 39,740,566 ordinary shares issued by the Company in exchange for the acquisition of NCLS during the year ended 31 December 2014.

(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(v)(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(z).

(v) General reserve fund

The Group's wholly-owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital of the respective subsidiaries. The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

The Group's subsidiary in Belgium is required to set up a legal reserve of 10% of share capital in accordance with the Belgium Law. The legal reserve is not distributable.

36 Capital and reserves *(Continued)*

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

(vi) Distributable reserves

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

At 31 December 2014, the Company had RMB4,986,932,000 available for distribution to equity shareholders of the Company (2013: RMB4,461,693,000).

(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 2013, the Group aims to maintain the net debt to adjusted capital ratio within 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

36 Capital and reserves *(Continued)*

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

(vii) Capital management *(Continued)*

The net debt to adjusted capital ratio is as follows:

	Note	2014 RMB'000	2013 RMB'000 (restated)
Current liabilities			
Bank loans and overdrafts	28	**60,499**	134,493
Loans from related parties	39(e)	**110,000**	385,812
Trade and bills payables	29	**1,856,526**	1,856,517
Other payables and accrued expenses	30	**1,850,805**	2,077,725
Amounts due to related parties	39(c)	**99,737**	65,684
		3,977,567	4,520,231
Non-current liabilities			
Bank loans	28	**25,223**	36,380
Total debt		**4,002,790**	4,556,611
Less: Cash and cash equivalents	27	**(1,677,737)**	(1,541,080)
Net debt		**2,325,053**	3,015,531
Total equity		**6,116,143**	5,323,016
Less: Proposed dividends	11	**(299,380)**	(180,471)
Adjusted capital		**5,816,763**	5,142,545
Net debt to adjusted capital ratio		**40%**	59%

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

37 Retirement benefits

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, employees contributions are subject to a cap of monthly relevant income of HKD30,000. 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 2014 not provided for in the financial statements are as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Contracted for		
– Production facilities	**123,875**	49,198

At 31 December 2014 and 2013, the Company has no capital commitment.

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Within 1 year	**14,026**	10,586	**918**	732
After 1 year but within 5 years	**10,813**	8,714	**803**	–
After 5 years	**6,054**	6,836	**–**	–
	30,893	26,136	**1,721**	732

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

39 Material related party transactions

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions		The Group Year ended 31 December 2014 RMB'000	2013 RMB'000 (restated)
Sales	(i)	**626,930**	478,832
Purchases	(ii)	**182,761**	123,886
Comprehensive charges	(iii)	**2,610**	5,060
Processing charges	(iv)	**22,686**	20,639
Processing income	(v)	**12,418**	6,362
Office services income	(vi)	**11,930**	10,677
Loans from related parties	(vii)	**245,000**	340,412
Loan interest expenses	(vii)	**21,861**	15,726
Other financing services charges	(viii)	**2,334**	1,539
Deposit service	(ix)	**141,749**	8,010
Interest income from deposits	(ix)	**113**	46
Guarantees	(x)	**119,479**	–
Issuance of ordinary shares for equity investment (note 2(b))		**251,107**	–

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

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

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

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

(vii) The loans are unsecured, interest bearing from 4.90% to 5.25% (2013: 5.35% to 6.00%) per annum and are repayable within one year.

(viii) Other financing services charges mainly represent commercial notes acceptance and discounting.

(ix) Deposit service represent deposit acceptance service provided by a related party to the Group. The deposits bear interest and can be withdrawn on demand.

(x) Guarantees represent the maximum amount of bank guarantees provided by the Group to its customers on behalf of the Group and certain related parties.

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

39 Material related party transactions *(Continued)*

(b) Transactions with the Group's associates

Nature of transactions		The Group Year ended 31 December 2014 RMB'000	2013 RMB'000 (restated)
Lease income	(i)	**2,091**	–

(i) Lease income represents the property rental income derived from Nirota B.V.

(c) Remuneration for key management personnel

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:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**17,216**	15,369
Share-based compensation benefits	**7,829**	2,492
	25,045	17,861

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

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

	The Group 2014 RMB'000	2013 RMB'000 (restated)
Trade receivables for products sold	**167,691**	80,279
Trade payables for raw material purchased and receipts in advance for sales	**(99,737)**	(65,684)

Notes:

(i) The outstanding balances with these related parties are unsecured, interest free and repayable on demand.

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

39 Material related party transactions *(Continued)*

(e) Loans from related parties

	The Group	
	2014 RMB'000	2013 RMB'000 (restated)
Loans from related parties	**110,000**	385,812

Notes:

(i) The loans are unsecured, interest bearing from 4.90% to 5.25% (2013: 5.35% to 6.00%) per annum and are repayable within a year.

(f) Deposits placed with a related party

	The Group	
	2014 RMB'000	2013 RMB'000 (restated)
Deposits	**141,749**	–

Notes:

(i) The deposits bear interest and can be withdrawn on demand.

(ii) The deposits are included as part of the Group's cash and cash equivalents (note 27).

40 Amounts due from/to subsidiaries

At 31 December 2014, 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. At 31 December 2014, 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 2013, 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 2013, amounts due to subsidiaries represent cash advances from Sound Winner 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 bills 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 bills 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 2.91% (2013: 2.67%) and 8.54% (2013: 11.70%) of the total trade and bills 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 bills receivables are set out in note 24.

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

	2014 Contractual undiscounted cash flow				2013 (restated) 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	62,827	26,736	89,563	85,722	139,739	37,263	177,002	170,873
Bill payables, creditors and accrued expenses	2,463,727	–	2,463,727	2,463,727	2,575,765	–	2,575,765	2,575,765
Amounts due to related parties	215,477	–	215,477	209,737	472,105	–	472,105	451,496
	2,742,031	26,736	2,768,767	2,759,186	3,187,609	37,263	3,224,872	3,198,134

The Company

	2014 Contractual undiscounted cash flow				2013 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	36,327	–	36,327	35,499	84,684	36,201	120,885	117,934
Other creditors and accrued expenses	9,410	–	9,410	9,410	10,847	–	10,847	10,847
Amounts due to subsidiaries	38,218	–	38,218	38,218	99,906	–	99,906	99,906
	83,955	–	83,955	83,127	195,437	36,201	231,638	228,687

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	2014		2013 (restated)	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**1.04%**	**1,675,361**	1.35%	1,541,320
Bank loans	**4.48%**	**(85,722)**	3.62%	(169,368)
Bank overdrafts	**–**	**–**	1.98%	(1,505)

The Company	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**0.02%**	**11,698**	0.03%	12,092
Bank loans	**2.33%**	**(35,499)**	2.50%	(117,934)

(ii) Sensitivity analysis

At 31 December 2014, 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 RMB5,961,000 (2013: RMB5,107,000). At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Company's profit after tax and retained profits by approximately RMB89,000 (2013: RMB397,000). 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 2013.

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 2014					
	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bill receivables	–	350,981	–	56,186	–	3,170
Deposits, other receivables and prepayments	–	8,299	–	13,652	–	–
Cash and cash equivalents	4	180,457	18,425	68,451	–	745
Restricted cash	–	6,838	–	–	–	–
Advance from customers	–	(50,391)	–	(6,819)	–	–
Trade and bill payables	–	(28,946)	–	(10,986)	(65,742)	(5,550)
Other payables and accrued expenses	–	(25,802)	–	(49)	–	–
Overall net exposure	4	441,436	18,425	120,435	(65,742)	(1,635)

41 Financial risk management and fair values *(Continued)*

(d) Currency risk *(Continued)*

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

The Group

	Exposure to foreign currencies 2013 (restated)					
	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bill receivables	–	353,268	–	82,273	–	3,440
Deposits, other receivables and prepayments	–	6,453	–	10,512	75	–
Cash and cash equivalents	204	194,690	10,630	33,523	–	–
Restricted cash	–	6,964	–	–	–	–
Advance from customers	–	(72,154)	–	(3,509)	–	–
Trade and bill payables	–	(19,159)	–	(28,884)	(41,692)	(10,267)
Other payables and accrued expenses	–	(38,427)	–	(13,114)	–	–
Overall net exposure	204	431,635	10,630	80,801	(41,617)	(6,827)

The Company

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	**4**	204
Overall net exposure	**4**	204

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	2014		2013 (restated)	
	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
	(5%)	–	(5%)	(8)
USD	5%	16,554	5%	16,186
	(5%)	(16,554)	(5%)	(16,186)
HKD	5%	691	5%	399
	(5%)	(691)	(5%)	(399)
Euro	5%	4,516	5%	3,030
	(5%)	(4,516)	(5%)	(3,030)
GBP	5%	(2,465)	5%	(1,561)
	(5%)	2,465	(5%)	1,561
DKK	5%	(61)	5%	(256)
	(5%)	61	(5%)	256

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 2013.

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).

2014	**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	**–**	**29**	**–**	**–**
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
– Forward exchange contracts	**–**	**1,511**	**–**	**–**

2013 (restated)	**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
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments:				
– Forward exchange contracts	–	390	–	390

During the years ended 31 December 2014 and 2013, there were no significant transfers between instruments in Level 1 and Level 2.

41 Financial risk management and fair values *(Continued)*

(e) Fair value *(Continued)*

(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 2014 and 2013.

(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 2014 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2014	2013
Loans and borrowings	**1.98% – 6.15%**	1.98% – 6.89%

42 Immediate and ultimate controlling party

At 31 December 2014, 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 2014, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

43 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

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 2014 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 HKAS19 regarding defined benefit plans	1 July 2014
HKFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendments to HKFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKFRS 10 and HKAS 28 on the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27 on the equity method	1 January 2016
HKFRS15 "Revenue from Contracts with Customers"	1 January 2017
HKFRS 9 "Financial Instruments"	1 January 2017

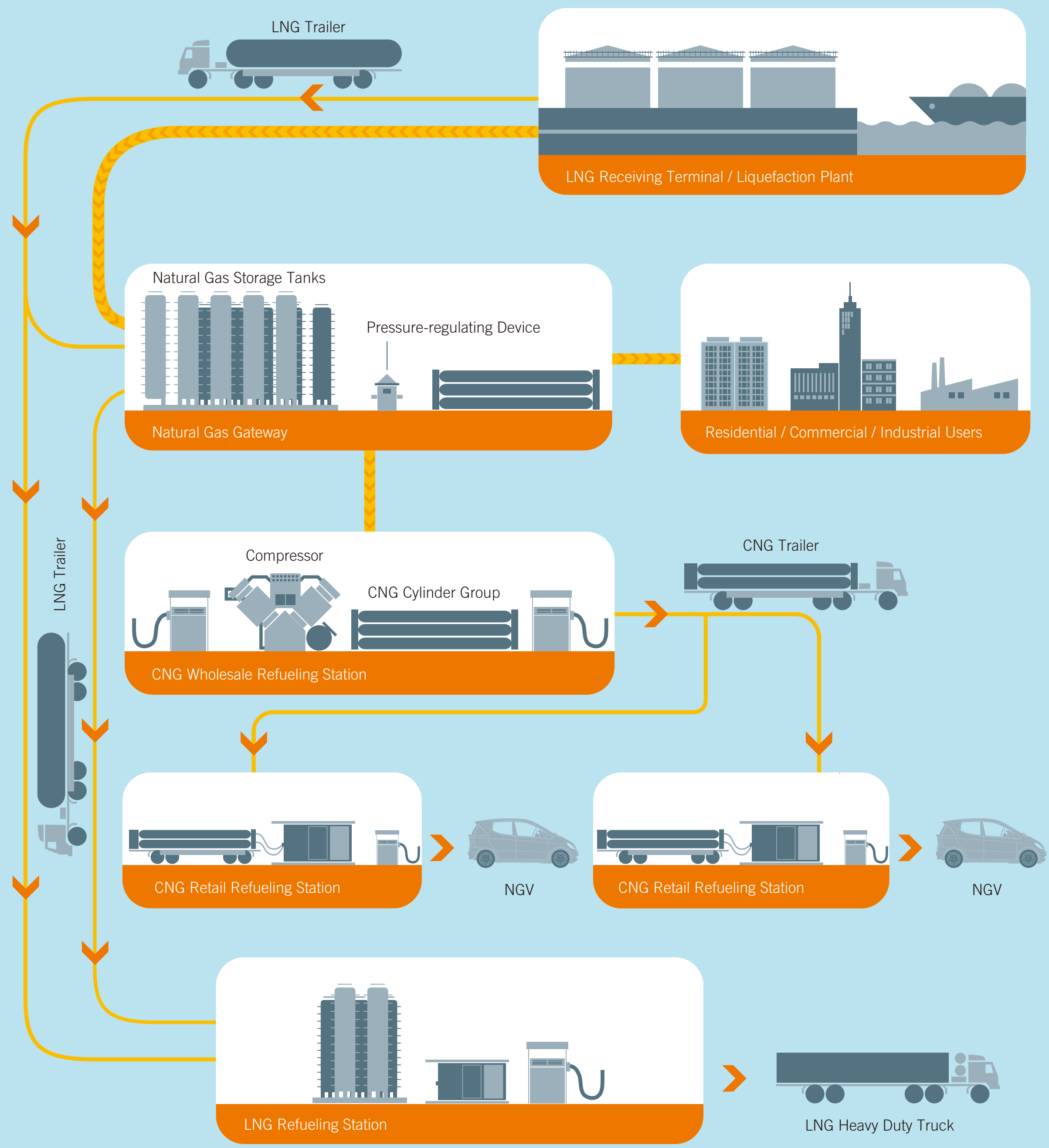
Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

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
"NCLS"	南通中集大型儲罐有限公司 Holvrieka (China) Co., Ltd.
"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.

Natural Gas Transportation, Storage and Distribution



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