

CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3899



2015 ANNUAL REPORT





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 on 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

- 2** Five-year Financial Summary
- 3** Financial Highlights
- 4** Corporate Information
- 5** Chairman's Statement
- 9** Management Discussion and Analysis

BUSINESS REVIEW

- 9** Energy Equipment
- 12** Chemical Equipment
- 14** Liquid Food Equipment
- 16** Other Analysis

FINANCIAL REVIEW

- 18** Financial Analysis
- 20** Financial Resources Review
- 22** Directors and Senior Management
- 25** Corporate Governance Report
- 39** Directors' Report
- 53** Independent Auditor's Report
- 54** Consolidated Income Statement
- 55** Consolidated Statement of Comprehensive Income
- 56** Consolidated Balance Sheet
- 58** Consolidated Statement of Changes in Equity
- 60** Consolidated Cash Flow Statement
- 62** Notes to the Financial Statements
- 136** Glossary

Five-year Financial Summary

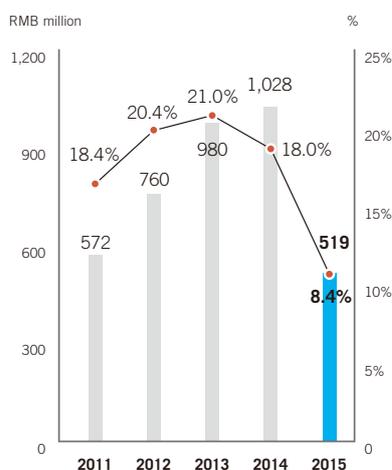
For the year ended 31 December

	2015 RMB'000	2014 RMB'000 (restated)	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	8,241,333	11,266,822	10,171,813	8,082,895	6,828,964
Profit from operations	718,276	1,222,694	1,230,512	946,003	738,799
Finance costs	(36,820)	(33,496)	(35,188)	(18,865)	(12,465)
Share of post-tax loss of associates	(426)	(1,497)	–	–	–
Profit before taxation	681,030	1,187,701	1,195,324	927,138	726,334
Income tax expenses	(144,817)	(148,330)	(207,584)	(161,562)	(147,294)
Profit for the year	536,213	1,039,371	987,740	765,576	579,040
Attributable to:					
Equity shareholders of the Company	519,194	1,027,638	979,595	759,863	571,509
Non-controlling interests	17,019	11,733	8,145	5,713	7,531
Profit for the year	536,213	1,039,371	987,740	765,576	579,040
Earnings per share					
– Basic	RMB0.268	RMB0.531	RMB0.509	RMB0.405	RMB0.305
– Diluted	RMB0.265	RMB0.521	RMB0.498	RMB0.401	RMB0.305

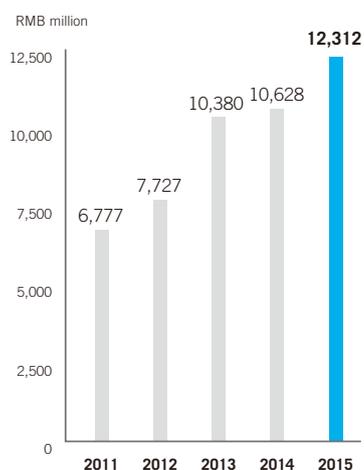
As at 31 December

	2015 RMB'000	2014 RMB'000 (restated)	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	12,312,226	10,627,725	10,379,864	7,727,181	6,777,051
Total liabilities	(5,846,754)	(4,499,095)	(5,056,848)	(3,649,342)	(3,346,311)
Net assets	6,645,472	6,128,630	5,323,016	4,077,839	3,430,740

Return on equity



Total assets at 31 December



■ Profit attributable to equity shareholders of the Company ● Return on Equity

Financial Highlights

	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000	+/-
FINANCIAL POSITION			
Total assets	12,312,226	10,627,725	15.9%
Net assets	6,465,472	6,128,629	5.5%
Net current assets	4,398,419	3,568,762	23.2%
Cash and cash equivalents	2,035,950	1,683,210	21.0%
Bank loans and other borrowings	1,748,070	195,722	793.1%
Gearing ratio ¹¹	27.0%	3.2%	23.8 ppt
For the year ended 31 December			
	2015 RMB'000	2014 RMB'000	+/-
OPERATING RESULTS			
Revenue	8,241,333	11,266,822	-26.9%
Gross profit	1,532,717	2,122,648	-27.8%
EBITDA	919,109	1,418,591	-35.2%
Profits from operations	718,276	1,222,694	-41.3%
Profit attributable to equity shareholders	519,194	1,027,638	-49.5%
PER SHARE DATA			
Earnings per share – Basic	RMB0.268	RMB0.531	-49.5%
Earnings per share – Diluted	RMB0.265	RMB0.521	-49.1%
Net asset value per share	RMB3.340	RMB3.173	+5.3%
KEY STATISTICS			
GP ratio	18.6%	18.8%	-0.2 ppt
EBITDA margin	11.2%	12.6%	-1.4 ppt
Operating profit margin	8.7%	10.9%	-2.2 ppt
Net profit margin ¹²	6.3%	9.1%	-2.8 ppt
Return on equity ¹³	8.4%	18.6%	-10.2 ppt
Interest coverage – times	26.2	37.6	-11.4
Inventory turnover days	106	87	+19
Debtor turnover days	126	88	+38
Creditor turnover days	100	73	+27

Notes:

- ¹ Gearing ratio = Bank loans and other borrowings/Total equity
- ² Net profit margin = Profit attributable to equity shareholders/Revenue
- ³ Return on equity = Profit attributable to equity shareholders/Average shareholders' equity

Corporate Information

Directors

Executive Directors

Gao Xiang (*Chairman*)
Liu Chunfeng (*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

Gao Xiang*
Wong Chun Ho
Zhang Xueqian

Executive Committee

Gao Xiang*
Liu Chunfeng
Jin Jianlong
Yu Yuqun

* *chairman of the relevant Board committees*

Authorised Representatives

Gao Xiang
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 2016

Closure of Register of Members for the 2015 Final Dividend of HKD0.100 per ordinary share

27 May 2016 to 31 May 2016 (both dates inclusive)

Payment of the 2015 Final Dividend

on or about 20 June 2016

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,

CIMC Enric experienced a crucial year in 2015 with a range of challenges facing the sectors it engaged in. After many years of growth, the Group reported a revenue decrease in 2015. Nevertheless, it would not affect the Group's vision of becoming a world-leading manufacturer of specialised equipment and provider of project engineering services for energy, chemical and liquid food industries.

Milestones of 2015

On 26 March 2015, the Group entered into an agreement to acquire 60% equity interests in Hashenleng, which is one of the pioneers in the research of technology and equipment for natural gas liquefaction. This acquisition completed in the second half of 2015. With this acquisition, the Group has reinforced its market share and strengthened its capabilities in natural gas liquefaction plants and related equipment and services in the China market, in particular, the Group's capabilities in the upstream LNG chain in respect of liquefaction and purification.

In addition, on 26 March 2015, the Group entered into another agreement to acquire the entire equity interests in Burg Service, which principally engages in the operation of two depots located in the Netherlands. Providing that Europe is the largest market for tank containers, accounting for approximately 40% of tank containers worldwide, the completion of this acquisition in the first half of 2015 has enhanced the Group's development of tank container business in the Europe market.

On 1 April 2015, Mr. Zhao Qingsheng resigned as the Chairman and an Executive Director of the Company as he reaches the retirement age, and Mr. Gao Xiang was appointed as the new Chairman. Mr. Liu Chunfeng joined the Board on 1 April 2015 and succeeded Mr. Gao as the Company's General Manager. During Mr. Zhao's term of office, he accomplished an outstanding work shaping the Group for the past seven years to what it is today.

On 27 August 2015, the Group entered into agreements to acquire the entire equity interests in SOE, this acquisition is not yet completed as at the date of this report. Through this acquisition, the Group aims to expand in the value chain for natural gas equipment and services from onshore to offshore.

Chairman's Statement

Results of the Year (Figures of 2014 are restated)

Net profit attributable to equity shareholders for 2015 declined by 49.5% to RMB519,194,000 (2014: RMB1,027,638,000). Basic earnings per share was RMB0.268 (2014: RMB0.531) and diluted earnings per share was RMB0.265 (2014: RMB0.521).

Revenue fell by 26.9% to RMB8,241,333,000 (2014: RMB11,266,822,000). Our largest segment – the energy equipment segment – revenue recorded a drop of 37.4% to RMB3,396,808,000 (2014: RMB5,422,026,000). Downturn in demand for standard tank containers caused chemical equipment segment to record a decline of 19.9% to RMB2,709,679,000 (2014: RMB3,383,062,000). The liquid food equipment segment's revenue posed a fall of 13.3% to RMB2,134,846,000 (2014: RMB2,461,734,000), mainly due to depreciation of Euro against RMB.

2015 Final Dividend

Having taken into account the Group's continued business development and efforts to increase return on equity, the Board proposes to maintain a stable dividend payout ratio for the year 2015.

The Board recommends a final dividend in respect of 2015 of HKD0.100 (2014: HKD0.195) per ordinary share payable in cash on or about 20 June 2016 to shareholders whose names appear on the register of members of the Company on 31 May 2016, subject to shareholders' approval in the forthcoming annual general meeting on 20 May 2016.

Market Recognitions

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

- 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; and
- Since November 2014, CIMC Enric has been included as eligible listed shares for Southbound trading of Shanghai-Hong Kong Stock Connect.

The Group is delighted that CIMC Enric was awarded the 4th place among the "2014 Top 50 Energy Enterprises with the Most Promising Growth Potential" by "Energy" magazine and the Energy Business School in China. Several subsidiaries of the Group also received awards and certifications for financial performance, product innovation and prestige branding during 2015. These achievements fully demonstrated the Group's continuous commitment to strive for industry excellence.

Prospects

Global economic activity remained subdued in 2015. The International Monetary Fund (IMF) projected the global growth at 3.1% in 2015, where growth in emerging market and developing economies declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Global GDP growth is projected at 3.4% in 2016. For China, the country's GDP growth for 2015 recorded a 25-year low of 6.9%. The Chinese government set the GDP growth target in 2016 at a range of 6.5% to 7.0%; whilst IMF estimated the growth in China to be 6.3% in 2016, primarily reflecting weaker investment growth as the Chinese economy continues to rebalance.

The market expected the Chinese government to announce supportive policies to help stabilising the economic growth in China. The government also targets to promote renovation and upgrade in the industrial goods manufacturing industry, and has been actively seeking new drivers for development and growth by means of "Made in China 2025" action plan, "One Belt One Road" strategy, state-owned enterprises reform, as well as new technology promotion. CIMC Enric will continue to explore and develop new opportunities with the government's future development paths.

To seize market opportunities and support its long-term development, the Group will focus on enhancement of its core competitiveness and business integration of the newly acquired subsidiaries, on the back of dedicated efforts on organic growth and persistent innovation. For the existing business, by enhancing its core strengths, the Group targets to achieve increased productivity and cost reduction. Meanwhile, the Group strives to develop new business and growth drivers by means of acquisition, innovative technology and finance lease business model. The Group's overall goal is towards one-stop solutions, to offer comprehensive and tailor-made products and services to customers. More attention will be devoted to exploring overseas markets in order to achieve sustainable revenue growth.

On the basis of Sino-European cooperation, the Group has established a business structure of “local knowledge and global operation”. To further develop strategic and operational management capability of its management team in a global sense, the Group will continue to promote leadership training programmes and incentive schemes to develop and motivate talented leaders, who are essential for the Group's long-term success. In addition, through the leadership training programmes, the Group targets to enhance the capability of its management team to pursue continuous business development under undesirable external environment and to grasp market opportunities timely. In the past three years, the Group's leadership training programmes provided to the China team have been successful, such programmes are planned to cover the Europe team in the near future. In order to achieve better management and strengthen internal control, the Group has implemented measures to enhance its organisational structure and work procedures of each department at the headquarters as well as its subsidiaries.

Energy equipment

Following the plunge in international oil price by more than half since the middle of 2014 and the Chinese government's natural gas pricing reforms implemented in recent years, the price advantage of natural gas as an alternative fuel over oil has weakened gradually, and the gap between natural gas price and oil price has narrowed significantly, and to a certain extent, undermined the motivation for oil-to-gas projects in China as well as the attractiveness of natural gas as a vehicle fuel. Therefore, the market demand for natural gas equipment dropped significantly in 2015. Moreover, the natural gas equipment industry in China has grown rapidly in recent years, market competition becoming more intense and average selling prices of some products decreased significantly. Grasping this critical moment, the Chinese government announced natural gas price cuts in April and November 2015 to maintain the natural gas price competitiveness in China.

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, the Group remains confident on the long-term prospects of the natural gas industry in China. Nevertheless, the natural gas equipment market is still pending a confirmative recovery, the Group's energy equipment segment will implement various measures to achieve lower cost of production, increased customisation and innovation as well as superior customer service, and will carefully manage and control its capital expenditure and working capital.

Apart from carrying out marketing strategies in the China market, the energy equipment segment will look for more growth opportunities in overseas markets. Moreover, the Group believes that LNG marine storage and transport industry and marine oil and gas module industry are facing challenges in the short-term but remain bullish in the long-term, the segment targets to enhance its capability to deliver projects for small and midsize LNG, liquefied ethylene gas (LEG) and LPG carriers. The segment will also continue to explore and develop business opportunities in small-scale LNG liquefaction systems and equipment as well as EPC (engineering, procurement and construction) services.

Chemical equipment

In recent years, the Group's chemical equipment segment has recorded modest growth on the back of previous years' global economic recovery. In 2014, as the average selling price of tank containers was decreasing, customers purchased more tank containers for inventory reserves. In 2015, the slowdown in global economic growth continues to impact on the chemical industry, and the Group's standard tank containers business has experienced cyclical fluctuations of the chemical market. Moving into 2016, the growth of standard tank containers business is expected to slow down in the difficult economic environment. Due to the recent fall in steel price, being the major material cost of tank containers, the Group expects the average selling price of tank containers will remain under pressure in 2016.

With many years of expertise and experience in the chemical equipment industry, the segment remains committed to 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 segment will step up its effort to develop the market of special and high-end tank containers, such as LNG tank containers. Standard tank container is an intermodal transportation equipment for vehicles and vessels, yet its market penetration in China is still relatively low, and this reflects a bright prospect of its application in China. In addition, following the acquisition of Burg Service in 2015, the segment has increased its presence in the Europe market, and has gained access to advance technologies for repair and modification of tank containers in Europe.

Chairman's Statement

Liquid food equipment

In view of the past years of rapid growth, the Group's liquid food equipment segment recorded a moderate performance in 2015. The Euro has fallen sharply against the RMB in 2015, and consequently a part of the segment's revenue has been eroded by the devaluation of Euro, when the segment's revenue was converted from Euro to RMB.

Backed by the strong brand name of "Ziemann Holvrieka", the Group's liquid food equipment segment is committed to offer engineering services and system solutions for the liquid food industry. Through the acquisition of ZHA in the second half of 2014, the segment has expanded its production capacity in China and will continue to introduce advanced manufacturing technologies and process automation from Europe to China. With a high level of technological and technical competence of production equipment for beer, the segment will strive vertically towards integrated EPC turnkey solutions, and horizontally towards diversification to juice storage and transportation and dairy product processing, achieve persistent innovation, and explore more business opportunities and revenue sources in Central America and the emerging markets.

Appreciation

As Mr. Zhao Qingsheng retired from the Board on 1 April 2015, I would like to take this opportunity to thank him for his dedication and commitment in building an outstanding management team and sound management structure. Mr. Zhao's leadership in CIMC Enric has been characterised by innovative ideas, strategic thinking and, above all his tireless efforts in enhancing the credibility of the Group, which has become a huge asset to us.

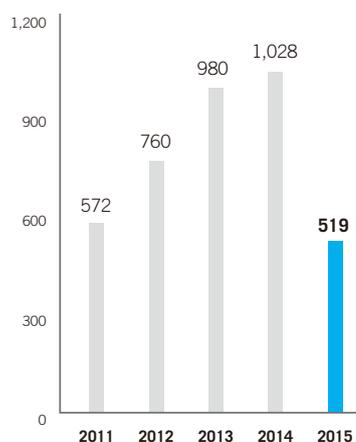
In addition, I would like to thank my fellow directors for their contribution and all our staff for their dedication and hard work. On behalf of the Board and the management, I would like to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their continuing support. Looking ahead, the Group remains prudently optimistic about the outlook of the sectors it engaged in. The Group firmly believes that the combination of the Group's key strategies and diversified business model will create sustainable and long-term value to shareholders.

Gao Xiang
Chairman

Hong Kong, 21 March 2016

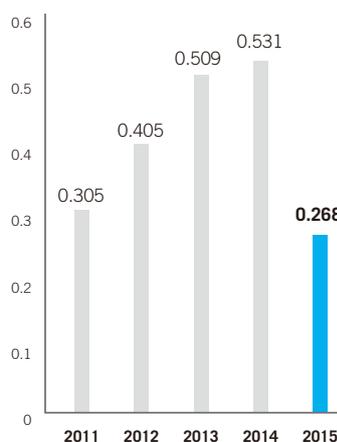
Profit attributable to equity shareholders of the Company

RMB million



Basic earnings per share

RMB



ENERGY EQUIPMENT

LNG & CNG
Products



LNG Vessel
Applications



LNG EPC
Projects



Management Discussion and Analysis - Business Review

Energy Equipment

Industry overview

According to the statistics of BP, global primary energy consumption increased by only 0.9% in 2014, in which China recorded a slowdown in consumption growth to 2.6%, yet China still recorded the world's largest share of primary energy consumption of 23%. Global natural gas consumption grew by just 0.4% in 2014; and over the long run by 2035, the world's demand for natural gas is expected to grow by 1.8% per annum, making it the fastest growing fossil fuel. For China, the country consumed approximately 191 billion cubic meters ("bcm") of natural gas in 2015, up 3.7%. China imported approximately 62.4 bcm of natural gas in 2015, representing an increase of 4.7%. The nation's LNG import in 2015 decreased by 2% to approximately 27 bcm, being the first decrease since 2006. China's economic slowdown and persistent weak oil price have affected its natural gas consumption in 2015.

Nevertheless, China has set a target for natural gas to contribute 10% of the nation's primary energy consumption by 2020 from around 6% in 2014. To achieve this, China is keen to construct and develop natural gas infrastructure for the receiving, processing, storage and distribution of natural gas. According to the Energy Development Strategy Action Plan (2014-2020) announced by China's State Council, 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.

China announced in early 2015 the adjustment of the city-gate tariff for non-residential gas, with the merging of the base-volume tariff and incremental-volume tariff. The base-volume tariff increased by RMB0.02-0.04/m³ but the incremental-volume tariff dropped significantly by RMB0.44/m³ with effect from April 2015. Furthermore, in November 2015, the Chinese government announced another cut of the city-gate tariff for non-residential gas by 28% or RMB0.7/m³. China has also announced concrete measures to largely liberalise gas price, by allowing buyers and sellers to set their own prices – up to 20% below the benchmark price now and up to 20% above the benchmark price from November 2016. This will definitely increase the competitiveness of China's natural gas market and help lift the growth of natural gas demand.

The Chinese government has also escalated efforts to the development of unconventional gas deposits such as shale gas and coal seam gas. China's shale gas production in 2020 is planned to reach 20 bcm to 30 bcm. China also targets to produce 40 bcm of coal seam gas by 2020. The unconventional gas sources are geographically dispersed with shorter lifetime of gas extraction and make it uneconomical to transport by pipeline. Therefore, small-scale liquefaction systems, LNG trailers and natural gas supply systems are more suitable for processing and delivering unconventional gas.

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 continues 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 such as 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 heavy 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. 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, especially under the weak oil price environment.

The Group believes that natural gas being an important clean energy in China will maintain a continuous growth in the future. Furthermore, some of the natural gas equipment in the market will be due for replacement, which would result in demand for replacement and advancement of natural gas equipment. Accordingly, the Group remains confident in the long-term development of its energy equipment segment. The segment has well-diversified product and services that are geared to the market needs and has accumulated relevant technological capabilities, it is well equipped to seize business opportunities when the market emerges.

Operational performance

For 2015, the energy equipment segment's revenue was RMB3,396,808,000 (2014: RMB5,422,026,000). The segment's operating profit for the year fell to RMB237,770,000 (2014: RMB600,997,000) which was mainly caused by a fall in revenue while selling and administrative expenses falling at slower rates than that of revenue.

Research and development

In 2015, the energy equipment segment conducted a wide range of successful R&D projects, such as 30,000 cubic metre LNG storage tank, LNG refilling station conforming to the United States standards, unmanned LNG refilling station, a new series of large volume composite cylinder, container and trailer, high-pressure cylinder and trailer for hydrogen storage and large-scale process compressor. Some of the newly developed products have been launched to the market and contributed to the Group's revenue.

The segment has enhanced its R&D capability in LNG equipment for marine application. During the year, the segment carried out projects involving the development of LNG carrier, LNG onshore refueling station system and LNG refueling system for barges. The R&D project for the first ever CNG carrier was also in progress during the year.

Moreover, the segment has been actively involved in the R&D of equipment used in different energy resources, such as fuel tank for nuclear energy. Amid a weak oil price environment, the R&D team has also devoted to developing various LPG equipment for the international market, such as whole set of LPG equipment for commercial use in international market.

In addition, the R&D team plays an important role for developing EPC services and contributed to the development of different types of equipment for LNG, CNG and LPG storage and transportation, as well as solutions for end-user application of natural gas.

Future plans and strategies

Although China's natural gas industry will continue to face pressure in the near-term, the Group strongly believes that the prospect of the industry is broadly positive in the long run. The Group remains well positioned and believes that 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 energy equipment segment remains committed to providing high quality and lightweight products to customers. With the Group's well-established brands in the energy equipment market, the segment is devoted to reinforce the market share of its core products in China. The segment endeavours to further reduce production costs and enhance production efficiency through implementation of manufacturing technology improvement programmes, continuous product development and product upgrades, as well as procurement management and control.

On top of maintaining its existing business, the segment actively seeks to develop new businesses. With an aim to expand from midstream and downstream natural gas storage and transportation towards upstream exploration, the segment would like to enter the market of special equipment for shale gas exploration. Moreover, the segment plans to expand from natural gas market to new energy market such as hydrogen fuel and biomass energy.

The segment is also cultivating overseas markets to spread more of its products to international markets, through enhancement of product design to international standards and establishment of awareness in overseas markets. The segment will continuously develop market opportunities in South-east Asia and other overseas countries, especially for CNG products and refueling station systems, LPG spherical tanks and other LPG equipment. In addition, the segment will consider acquisition and cooperation opportunities, for accelerating the achievement of its expansion in the overseas market.

The weak oil price environment provides opportunities for development of the segment's LPG equipment business. The segment will further advance the design of the Group's LPG trailers and tanks and capture the market opportunities. The segment will also conduct in-depth marketing studies and explore new growth potential, such as closely monitoring the provincial policies relating to coal-to-gas boiler conversion in China.

Apart from energy equipment manufacturing, the segment is devoted to creating additional value to customers and promoting one-stop integrated solutions proactively. With the acquisition of Hashenleng in 2015, the Group further improve its capabilities in design and project engineering, especially in natural gas liquefaction plants and the relevant processing and handling capability. The segment will step up its effort to explore more EPC business for unconventional gas sources, such as small and medium scale liquefaction systems, in both China and international markets.

By providing referral arrangement for finance lease and factoring services, the energy equipment segment will be able to solicit and retain customers especially under this competitive business environment and tight monetary conditions in China. The Group will devote to establishing more new and innovative modes of business to facilitate the segment's long-term development of equipment and engineering business.

In addition, the 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.

Management Discussion and Analysis

Business Review

CHEMICAL EQUIPMENT

Standard Tank Containers



Special Tank Containers



Industry overview

Chemicals are usually used as raw materials in different economic activities, such as agriculture, manufacturing, industrials, pharmaceuticals, automobile and consumer products. Hence, the chemical industry contributes a large portion to the global GDP and is closely linked to the macro economy. Amid a weaker pickup of the global economy, it is expected a moderate growth of global chemical demand in 2016 and the trade turnover also to remain flattish.

Tank containers are designed as safe and efficient intermodal chemical logistics 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 April 2015, there was around 444,220 tank containers in operation worldwide as at January 2015, representing an increase of 12.6% over January 2014. ITCO commented that the tank container industry continues its trend of stable annual growth. According to the estimation by Atco Asia, the estimated number of ISO tank containers manufactured by China in 2015 was around 34,000, representing an increase of 3.0% from 2014, in which China continues to contribute the largest share of tank containers produced.

China continues to be the driving force of the tank container market. In the mid-to-long term, while the Chinese government encourages industry upgrade, safety control and environmental consciousness, the low-end mode of transportation is expected to be gradually replaced by standard tank containers, which represents one of the most efficient, safest and cost effective methods for transporting liquids, industrial gases and powders.

The market for special tank containers is growing, following the business diversification of tank container operators. Meanwhile, 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 is engaged in. Looking ahead in 2016, the demand for standard tank containers is expected to fluctuate with the cyclical nature of the chemical market. The Group will equip itself to the market changes and explore more growth drivers for its tank container business.

Operational performance

During the year, the chemical equipment segment's revenue was RMB2,709,679,000 (2014: RMB3,383,062,000). The segment's operating profit for the year decreased to RMB345,035,000 (2014: RMB495,261,000) which was mainly due to a fall in revenue and also selling and administrative expenses falling at slower rates than that of revenue.

Research and development

The chemical equipment segment has devoted to the R&D of different types of tank containers to meet customer needs. In 2015, the segment has been conducting various R&D projects, such as 39-ton 20-foot ISO tank container, swap body tank container with lightweight structure, 20-foot cryogenic tank container conforming to international standards, 20-foot 30-cubic-metre ultra-large volume tank container and new type of high-performance 40-foot LNG tank container conforming to international standards.

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 trend of cyclical fluctuations in the chemical market is expected to continue in 2016, the chemical equipment segment remains committed to maintain its leading position in the standard tank container market and will continue to seek cost advantage over competitors through its efforts on optimising product design, enhancing production processes and standardising product components.

With advanced R&D capability and abundant industrial experience, the segment strives to offer chemical logistic solutions, targeting one-stop service for users of industrial gas and liquid chemical gas. Moreover, the segment will proactively develop special tank container business, with a focus on gas tank containers and carbon steel tank containers in the short term. The segment will develop its business for LNG tank containers and tank containers for railway transport in the medium term. Under China's marketisation and its "One Belt One Road" international strategy, the segment will pay attention to the development of intermodal transportation for China and Southeast Asia market.

To keep ahead of competition, the segment also 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 which provide 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 segment has successfully developed and exported LNG tank containers with international standards, as a new mode of logistics solution to its overseas customers. The acquisition of Burg Service in the Netherlands in 2015 has also facilitated the segments' development of tank container after-sale services in China and overseas.

Management Discussion and Analysis

Business Review

LIQUID FOOD EQUIPMENT

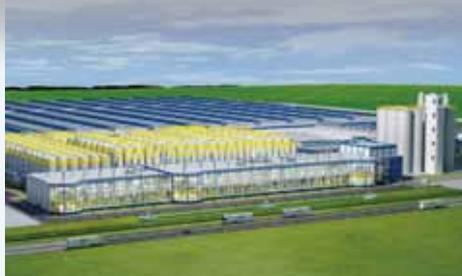
Liquid Food
Tanks



Turnkey
Solutions



Large-scale
Turnkey Projects



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 producing market globally, China's beer market is still expected to grow in the near future, due to improving living standards from the development of the economy. 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 in China, more mergers and acquisitions were announced by major local and international brewery groups in recent years.

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 liquid 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

During 2015, the liquid food equipment segment's revenue was RMB2,134,846,000 (2014: RMB2,461,734,000). The segment's operating profit for the year rose to RMB251,940,000 (2014: RMB244,969,000) despite the segment's GP margin slipped, which was offset by selling and administrative expenses falling at faster rates than revenue as a result of improved operational efficiency.

Research and development

In 2015, the liquid food equipment devoted to the R&D of complete turnkey brewery systems catered to customer specifications. The segment has also carried out R&D projects such as new type of wort boiling system, deaerated water manufacturing system, and biological and medical fermentation tank. With advanced brewing equipment technology possessed by Ziemann and lower cost of production in China, the segment 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 industry community 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

Following the integration of certain assets acquired from Ziemann Group in 2012, the liquid food equipment segment has become a provider of comprehensive turnkey solutions to beer and other liquid food producers. The segment constantly reviews its development strategy and seeks more opportunities in which it can excel and enhance its business position. For vertical diversification, the segment continues to enhance its capability to offer turnkey solutions for brewing and strives to develop such capability for the entire brewery. For horizontal diversification, the segment strives to proactively develop businesses for other liquid food apart from beer, such as juice storage and transportation and dairy product processing.

The Group has a foothold in China and Europe, and since the acquisition of ZHA in 2014, the liquid food equipment segment has expanded its production capacity in China and its marketing network in Asia. This facilitates the segment's development plans in Southeast Asia and other countries in the world. Furthermore, the Group will continue to transfer advanced manufacturing technologies and know-how from Europe to its Chinese operations. The liquid food equipment segment has been working on the integration of the Ziemann technology in ZHA, through organising training programmes and exchange programmes for the project teams, engineers and technologists in China and Germany. Meanwhile, the segment will explore more business opportunities and revenue sources in Central America and emerging markets.

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

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. The segment targets to develop innovative products for mash filtration, milling system, energy saving projects, smart conveyor and fast fermentation.

Last but not least, the segment will adopt measures to continuously improve its existing products to strive for competitive advantage over rivals. The segment has been evaluating insourcing and outsourcing opportunities by assessing the costs and benefits carefully.

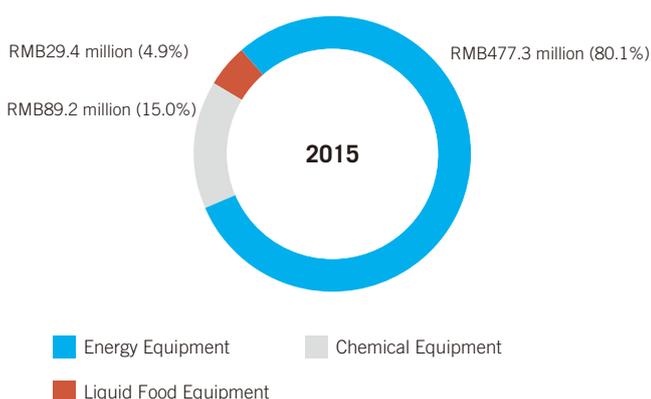
Management Discussion and Analysis - Business Review

Other Analysis

Production capacity

In 2015, the Group invested RMB597,363,000 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 RMB477,315,000, RMB89,236,000 and RMB29,361,000 respectively in capital expenditure during the year. In addition, the Group had capital expenditure of RMB1,451,000 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 "CIMC Tank". Liquid food equipment products and project engineering services are branded under the name "Ziemann Holvrieka".

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, Shenzhen Gas, PT PLN (Persero), Cronos, EXSIF, TAL International, Sinochem International, Eurotainer, Constellation Brands, Anheuser-Busch InBev, Heineken and Carlsberg 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 RMB3,904,011,000 (2014: RMB5,063,103,000). Continuous efforts are put into emerging markets as well as natural-gas-rich countries. 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. The Group's inventory collaboration team constantly monitors the inventory level and enhances the 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.

Qualifications

All the superior manufacturing certificates and qualifications are subject to periodic 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 (CCS), 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 National Board of Boiler and Pressure Vessel Inspectors (NB) of the United States, the Department of Transportation (DOT) of the United States, American Bureau of Shipping (ABS), 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. As at 31 December 2015, the Group held exclusive rights to a portfolio of over 460 patents in China and overseas, of which 93 patents were newly obtained during the year. Apart from timely filing patent applications 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 nine examination and service centres for CNG trailers and other high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Xinjiang, Yangzhou, Hengyang, Shijiazhuang, Chengdu and Daqing, in the PRC, of which the centres in Shijiazhuang, Chengdu and Daqing were newly established in 2015. The centres provide services including examinations, alternations, repairs and replacement parts to customers. 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.

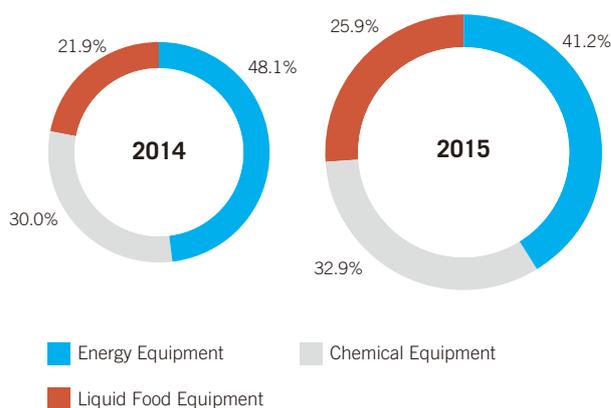
Management Discussion and Analysis - Financial Review

Financial Analysis

Revenue

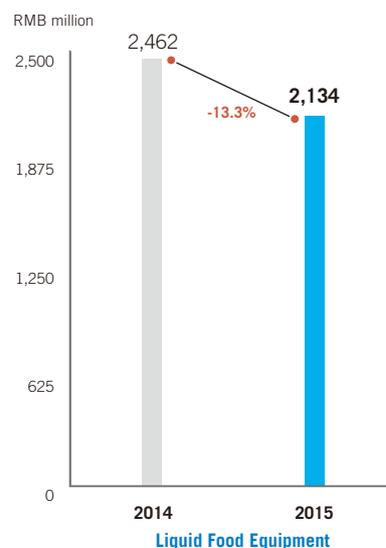
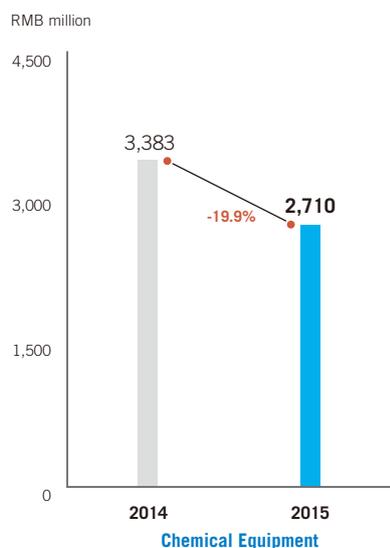
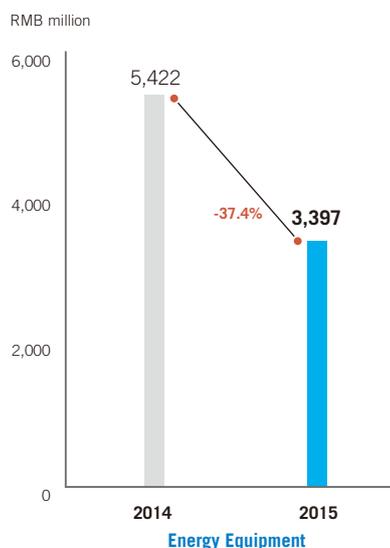
As a result of the weak international oil price in 2015 and natural gas pricing reform implemented by the Chinese government in recent years, the price advantage of natural gas as an alternative fuel over oil has weakened significantly in comparison with 2014. Therefore, the market demand for natural gas equipment dropped significantly during 2015, and the Group's energy equipment segment recorded a significant fall in revenue. Despite a robust growth in special tank containers' revenue, the falling demand for standard tank containers caused the chemical equipment segment to post a decrease in revenue. While the liquid food equipment segment's Chinese subsidiary posted a revenue growth for the year, this was offset by the decline in the revenue contribution by the segment's European subsidiaries which are the core operating units of the segment. The segment's European subsidiaries recorded a slight fall in revenue in Euro terms which was further exacerbated by the Euro's significant depreciation against RMB which is the reporting currency of the Group. As a result, the revenue for 2015 slipped by RMB3,025,489,000 to RMB8,241,333,000 (2014: RMB11,266,822,000). The performance of each segment is discussed below:

Sales by Business Segments



During 2015, the energy equipment segment's revenue fell by 37.4% to RMB3,396,808,000 (2014: RMB5,422,026,000) because of a decline in the demand for natural gas equipment in general which was caused by a deceleration in oil-to-gas projects in China as well as the attractiveness of using natural gas as an alternative fuel given the diminished price advantage of natural gas over oil during the year. In particular the sales volume of LNG trailers, on-vehicle LNG fuel tanks and LNG refueling stations saw various degrees of decrease comparing with last year. At the same time, due to increased competitive pressures, the average selling price ("ASP") of these products declined which also contributed to the fall in segment revenue. The segment remains the top grossing segment and accounted for 41.2% (2014: 48.1%) of the Group's total revenue.

Segment's Revenue



The chemical equipment segment's revenue decreased by 19.9% to RMB2,709,679,000 (2014: RMB3,383,062,000) due to a fall in the sales volume of standard tank containers which more than offset an increase in demand for special tank containers during the year. The segment made up 32.9% of the Group's total revenue (2014: 30.0%).

The liquid food equipment segment's revenue posted a decline of 13.3% to RMB2,134,846,000 during the year (2014: RMB2,461,734,000) mainly because of a slight decline in the revenue of the Group's European subsidiaries and the depreciation of Euro against RMB as Euro is the operating currency of the European subsidiaries which are the core operating units of the segment while RMB is the reporting currency of the Group. The segment accounted for 25.9% of the Group's total revenue (2014: 21.9%).

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") improved slightly to 20.3% (2014: 19.8%). The slight improvement is mainly the result of a rise in the GP margin of natural gas related design and engineering projects as well as LPG and other miscellaneous products and their increasing revenue contributions during the year. As for the chemical equipment segment, its GP margin slipped slightly to 15.9% (2014: 16.6%) during the year mainly due to lower ASP of tank containers in the face of weakening market demand. The GP margin for liquid food equipment segment remained relatively stable at 19.4% during the year (2014: 19.8%).

While the liquid food equipment segment's GP margin remained stable, the decline of the chemical segment's GP margin has been offset by the slight rise in energy equipment's caused the Group's overall GP margin to remain stable 18.6% (2014: 18.8%).

Profit from operations expressed as a percentage of revenue decreased by 2.2 percentage points to 8.7% (2014: 10.9%) which is mainly attributable to both selling and administrative expenses declined at a slower rate than revenue during the year.

Tax expenses for the Group fell slightly by 2.4% despite profit before taxation dropping by 42.7% was 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 dropped to RMB519,194,000, representing a fall of 49.5% over the previous year (2014: RMB1,027,638,000).

Other revenue

Other revenue totalling RMB176,483,000 in 2015 (2014: RMB244,774,000) consisted of bank interest income, government grants and other operating revenue. The drop in other revenue was mainly caused by a drop in the revenue from sale of scrap metals but this has been offset to some extent by increase in government grant during the year.

Selling expenses

Selling expenses fell by 9.9% to RMB293,563,000 (2014: RMB325,729,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses fell mainly because of lower freight charges and warranty expenses in relation to lower revenue during the year.

Administrative expenses

Administrative expenses decreased by 11.5% to RMB726,729,000 (2014: RMB821,032,000) which is slower than the decline in revenue. Administrative expenses decreased mainly due to the drop in cost of human resources as a result of fewer headcounts.

Other net income

Other net income of RMB34,980,000 in 2015 (2014: RMB4,229,000) comprised loss on disposal of property, plant and equipment, charitable donations, exchange gain and various miscellaneous income. The rise in other net income in 2015 was mainly due to an increase in exchange gain of RMB37,986,000 (2014: exchange loss of RMB2,147,000) as a result of the appreciation of USD against RMB on the Group's USD denominated trade receivables.

Management Discussion and Analysis - Financial Review

Financial Analysis

Financial Resources Review

Finance costs

During 2015, finance costs increased slightly by 9.9% to RMB36,820,000 (2014: RMB33,496,000). Finance costs mainly comprised interest on bank loans and other borrowings of RMB25,292,000 (2014: RMB30,197,000). The Group drew down external borrowings towards the year end together with lower interest rates resulted in lower interest expense over the previous year. However, this was offset by increased one-off financial charges for the USD150,000,000 syndicated loan which the Group drew down in the last quarter of the year.

Taxation

Tax expenses for the Group dropped by only 2.4% to RMB144,817,000 in 2015 (2014: RMB148,330,000) mainly because in 2014 there was a 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 which greatly reduced the tax expenses for 2014.

Employees and remuneration policies

At 31 December 2015, the total number of employees of the Group was approximately 9,500 (2014: approximately 9,700). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB1,228,524,000 (2014: RMB1,279,510,000).

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 2015, the cash and cash equivalents of the Group amounted to RMB2,035,950,000 (2014: RMB1,683,210,000). A portion of the Group's bank deposits totalling RMB661,524,000 (2014: RMB111,886,000), which had more than three months of maturity at acquisition. As of 31 December 2015, the bank deposit of RMB111,524,000 (2014: RMB111,886,000) were restricted for guarantee of banking facilities; while the remaining was restricted as collateral for SOE. 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 2015, the Group's bank loans and overdrafts amounted to RMB1,058,070,000 (2014: RMB85,722,000), other than a three-year syndicated bank loan and a two-year term loans for business acquisition and capital expenditure, the remaining is repayable within one year. Apart from the syndicated bank loan denominated in USD and the term loan denominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 1.98% to 4.85% per annum. At 31 December 2015, the Group did not have secured bank loan (2014: Nil). As of 31 December 2015, bank loans amounting to RMB1,058,070,000 (2014: RMB85,722,000) were guaranteed by the Company's subsidiaries. As at 31 December 2015, loans from related parties amounted to RMB690,000,000 (2014: RMB110,000,000), which are unsecured, interest bearing from 4.35% to 4.9% (2014: 4.90% to 5.25%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2014: zero times) as the Group retained a net cash balance of RMB949,404,000 (2014: RMB1,599,374,000). The decrease in net cash balance is mainly attributable to downturn in revenue scale and the prepayment for equity investment. 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 26.2 times for the year (2014: 37.6 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

Management Discussion and Analysis - Financial Review

Financial Resources Review

During 2015, net cash generated from operating activities amounted to RMB664,747,000 (2014: RMB1,073,476,000). The Group drew bank loans and loans from related parties totalling RMB1,987,311,000 (2014: RMB654,020,000) and repaid RMB478,117,000 (2014: RMB1,013,478,000). A payment of final dividend in respect of the financial year 2014 were approximately RMB297,525,000. In addition, cash proceeds amounted to RMB11,076,000 arose from the issuance of ordinary shares on exercise of share options.

	2015 RMB'000	2014 RMB'000 (Restated)
Net cash generated from/(used in):		
• Operating activities	664,747	1,073,476
• Investing activities	(1,552,566)	(302,004)
• Financing activities	1,192,621	(589,514)
Total	304,802	181,958

Assets and liabilities

At 31 December 2015, total assets of the Group amounted to RMB12,312,226,000 (2014: RMB10,627,725,000) while total liabilities were RMB5,846,754,000 (2014: RMB4,499,095,000). The net asset value rose by 5.50% to RMB6,465,472,000 (2014: RMB6,128,630,000) which was mainly attributable to the net profit of RMB536,213,000, but partially offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB47,202,000 for the year. As a result, the net asset value per share increased to RMB3.340 at 31 December 2015 from RMB3.173 at 31 December 2014.

Contingent liabilities

At 31 December 2015, the Group has provided guarantees to SOE in respect of the borrowings drawn from the financial institutions by SOE. As at 31 December 2015, the outstanding borrowings guaranteed by the Group amounted to RMB550,000,000.

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 2015, the Group had contracted but not provided for capital commitments of RMB485,471,000 (2014: RMB123,875,000). The increment in capital commitments is mainly relating to the acquisition of SOE not yet completed in 2015. As of 31 December 2015, the Group did not have authorised but not contracted for capital commitments (2014: 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. Gao Xiang

Chairman and Executive Director, chairman of Nomination Committee and chairman of Executive Committee

Mr. Gao, aged 51, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009 and was re-designated to be the Chairman of the Board from the General Manager in April 2015. 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 is currently a vice president of CIMC and holds directorships in certain subsidiaries of CIMC. He holds directorships in certain subsidiaries of the Company.

Mr. Liu Chunfeng

General Manager and Executive Director, member of Executive Committee

Mr. Liu, aged 53, was appointed as the General Manager and an Executive Director in April 2015. 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 was 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. Mr. Liu was a deputy general manager of the Company from May 2012 to March 2015. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Jianlong

Executive Director, member of Remuneration Committee, member of Executive Committee

Mr. Jin, aged 62, 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, member of Executive Committee

Mr. Yu, aged 50, 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 and a member of the first session of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director

Mr. Jin, aged 52, 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 43, 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 55, 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 66, 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

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 48, 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 52, 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.

Directors and Senior Management

Mr. Sun Hongli

Deputy General Manager

Mr. Sun, aged 47, 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. Yang Xiaohu

Deputy General Manager

Mr. Yang, aged 41, was appointed as a deputy general manager of the Company in April 2015. He graduated in Huazhong University of Science and Technology (華中科技大學), majoring in vessel and marine engineering. Mr. Yang was an officer of the quality control department of Shanghai CIMC Reefer Containers Co., Ltd. from 1997 to 1999, and was a sales manager of CIMC Group's container operation department from 2000 to 2009. He was a deputy general manager of the Company's sales and marketing department from April 2009 to April 2012, and was an assistant to general manager of the Company from May 2012 to March 2015. Since April 2015, Mr. Yang has been the general manager of Nantong CIMC Tank Equipment Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Gao Wenbao

Deputy General Manager

Mr. Gao, aged 42, was appointed as a deputy general manager of the Company in January 2016. He graduated in Jilin University of Technology (吉林工業大學), majoring in machinery enterprise management. Mr. Gao worked in the enterprise management department of Tianjin Xiali Engine Plant from 1995 to 1999, and was a manager of the enterprise management department, a manager of the human resources department and an assistant to general manager of Tianjin CIMC North Ocean Container Co., Ltd. from 2000 to 2009. He joined the Company in October 2009, and was a manager of the Company's enterprise management department and an assistant to general manager of the Company.

Mr. Huo Lating

Deputy General Manager

Mr. Huo, aged 53, was appointed as a deputy general manager of the Company in January 2016. He obtained a master's degree in accounting and financial management from Tianjin University of Finance (天津財經學院), and is a senior accountant. Mr. Huo worked in the supply and marketing cooperatives of Shijiazhuang from 1981 to 1995, was the general manager of Hebei Weiyuan Corporation from 1995 to 2003, and was an assistant to general manager of Hebei XinAo Gas Group from 2003 to 2007. He was an assistant to general manager of the Company from June 2007 to June 2008. Since September 2008, Mr. Huo has been the general manager of Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd., a subsidiary of the Company.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 44, 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.

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 2015, the Company complied with all the code provisions of the CG Code.

Board of Directors

The board

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

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

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

Corporate Governance Report

Board of Directors *(Continued)*

The board *(Continued)*

- corporate governance;
- internal control assessment;
- material financing projects;
- material acquisitions and disposals;
- interim and final results and dividends;
- connected and major transactions;
- appointments to the Board; and
- remuneration of the senior management.

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2015 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 2014 and 2015, and for the six months ended 30 June 2015 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 acquisition of the entire equity interests of Burg Service;
- approved the acquisition of 60% equity interest in Hashenleng;
- approved the acquisition of the entire equity interests of SOE;
- approved the financial assistance framework agreement entered into among the Company, SOE and Evergreen Group Co., Ltd.;

Board of Directors *(Continued)*

The board *(Continued)*

- approved the new share option scheme of the Company, subject to shareholders' approval;
- approved the revision of existing annual caps for continuing connected transactions under financial services framework agreement entered into among the Company, CIMC Finance Company Ltd. 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 2015 and up to the date of this Report, the Board, among others, performed the following corporate governance functions:

- reviewed the guidelines namely "Roles and Responsibilities of the Board and Senior Management" and "Division of Responsibilities between the Chairman and the General Manager of the Company"; and
- reviewed the disclosure in the Corporate Governance Reports set out in the Company's Annual Reports for 2014 and 2015 respectively.

Notice of a regular Board meeting is given to all Directors at least 14 days in advance. Directors are invited to include items which they wish to be included in the agenda for the same to be finalised and are given the relevant meeting papers at least three days prior to a Board or Board Committee meeting.

Directors are properly briefed on agenda items and provided with opportunities to raise questions or comment at meetings. Where necessary, professional advisers will be invited to attend the meeting to give expert advice and explanations to the Directors on agenda items.

Where a Director is unable to attend a meeting, he is advised of the matters to be discussed and encouraged to express his views to the Chairman or the Company Secretary (or his assistant) prior to the meeting.

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

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

Corporate Governance Report

Board of Directors *(Continued)*

The board *(Continued)*

The Company Secretary or his assistant is responsible for taking minutes of Board and Board Committee meetings. Draft minutes and written resolutions will be circulated to all Board members or Board Committee members for review and comment for a reasonable period. Final version of the minutes and written resolutions will be provided for record within a reasonable time (generally within 14 days after the meeting) and the signed copies are kept in the Company's minutes book maintained by the Company Secretary for Directors' inspection.

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

Chairman and general manager

The management of the Board and the day-to-day management of the Group's business are clearly divided and separately undertaken by the Chairman and the General Manager to ensure a balance of power and authority.

The roles of the Chairman and the General Manager are segregated with a clear division of responsibilities set out in writing. The Chairman 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 22 to 24 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 2015 and in 2016 (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 22 to 24 and on the Company's website.

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

Director's attendance

	No. of meetings attended during 2015 <i>(Note)</i>				General meetings
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
<i>Executive Directors</i>					
Mr. Zhao Qingsheng <i>(ex-Chairman)</i>	4/4	–	–	2/2	–
Mr. Gao Xiang <i>(Chairman)</i>	9/10	–	–	2/2	1/1
Mr. Liu Chunfeng <i>(General Manager)</i>	6/6	–	–	–	0/1
Mr. Jin Jianlong	9/10	–	4/4	–	0/1
Mr. Yu Yuqun	6/10	–	–	–	0/1
<i>Non-executive Director</i>					
Mr. Jin Yongsheng	9/10	–	–	–	0/1
<i>Independent Non-executive Directors</i>					
Mr. Wong Chun Ho	10/10	5/5	–	4/4	1/1
Mr. Tsui Kei Pang	9/10	5/5	4/4	–	1/1
Mr. Zhang Xueqian	10/10	5/5	4/4	4/4	0/1

Note:

With effective from 1 April 2015, Mr. Zhao Qingsheng resigned as an Executive Director and ceased to be the Chairman; Mr. Gao Xiang has become the Chairman and ceased to be the General Manager; and Mr. Liu Chunfeng has become the General Manager and an Executive Director.

Corporate Governance Report

Board of Directors *(Continued)*

Director's attendance *(Continued)*

	No. of meetings attended during 1 January 2016 to the date of this report					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee <i>(Note)</i>	General meetings
<i>Executive Directors</i>						
Mr. Gao Xiang <i>(Chairman)</i>	3/3	–	–	1/1	1/1	–
Mr. Liu Chunfeng <i>(General Manager)</i>	3/3	–	–	–	1/1	–
Mr. Jin Jianlong	3/3	–	1/1	–	1/1	–
Mr. Yu Yuqun	3/3	–	–	–	1/1	–
<i>Non-executive Director</i>						
Mr. Jin Yongsheng	2/3	–	–	–	–	–
<i>Independent Non-executive Directors</i>						
Mr. Wong Chun Ho	3/3	3/3	–	1/1	–	–
Mr. Tsui Kei Pang	3/3	3/3	1/1	–	–	–
Mr. Zhang Xueqian	3/3	3/3	1/1	1/1	–	–

Note:

The Executive Committee was established on 19 January 2016, which is chaired by Mr. Gao Xiang. Its other members are Mr. Liu Chunfeng, Mr. Jin Jianlong and Mr. Yu Yuqun.

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 two seminars for the Directors relating to (i) the recent development of compliance to the Listing Rules which was facilitated by the external legal advisor of the Company; and (ii) the Group's risk management system establishment project which was facilitated by the Company's consultant for the project. Seven Directors, namely Mr. Gao Xiang, Mr. Liu Chunfeng, Mr. Jin Jianlong, Mr. Jin Yongsheng, Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian attended the seminars in person or by video conferencing. One Director, namely Mr. Yu Yuqun studied the training materials of the seminars. 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 2015 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.

Corporate Governance Report

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 2015 and 2014 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 for the year 2015:

	Number of individuals
HKD1,000,001 to HKD1,500,000	2
HKD1,500,001 to HKD2,000,000	3
HKD2,000,001 to HKD2,500,000	2

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, the Nomination Committee and the Executive 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 system, risk management 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 2015, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2014;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the year ended 31 December 2014 and the six months ended 30 June 2015, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2014, and the interim results for the six months ended 30 June 2015 with the external auditor;
- the continuing connected transactions of the Group during 2014 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;

Corporate Governance Report

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 2014.

In 2015 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 2015	900,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2015	4,117,000
Financial due diligence for a potential acquisition	2,328,000
Preparation of the accountants' report of SOE for the years ended December 2013, 2014 and 2015	2,008,000
Total	<u>9,353,000</u>

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2015 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 2015, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, considered, reviewed and made recommendations to the Board on the remuneration packages of the Directors appointed, re-designated and re-appointed during 2015 and the other Directors (except the members of the Remuneration Committee).

Nomination Committee

During 1 January 2015 to 31 March 2015, the Nomination Committee was chaired by Mr. Zhao Qingsheng, the ex-chairman of the Board. Following the resignation of Mr. Zhao Qingsheng on 1 April 2015, the Nomination Committee is now chaired by Mr. Gao Xiang, 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 2015, 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;
- considered the re-designation of Mr. Gao Xiang from the General Manager to the chairman of the Board with effect from 1 April 2015;
- considered the appointment of Mr. Liu Chunfeng as an Executive Director with effect from 1 April 2015; and
- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2015, 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 24 under the section headed "Directors and Senior Management" and on the Company's website. During 2015, 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 41. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 53.

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.

Corporate Governance Report

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 2015.

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.

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.

Corporate Governance Report

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

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 2015

In 2015, the Company held one general meeting, being the AGM.

The most recent general meeting was the AGM held on 20 May 2015 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Seven resolutions were proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. The major resolutions considered and approved included:

- receiving and considering the audited consolidated financial statements, directors' report and independent auditor's report for the year ended 31 December 2014;
- declaration of final dividend in respect of 2014;
- re-election of the retiring Directors and authorising the Board to fix the remuneration of Directors;
- re-appointment of auditor and authorising the Board to fix the remuneration of auditor; and
- granting of general mandates to issue shares and to repurchase shares.

Full text of the above resolutions is set out in the notice of AGM of the Company dated 15 April 2015. The poll results of the AGM have been published on the websites of the Stock Exchange and the Company.

Investor relations contacts

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

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

The latest investor relations information is available at the Company's investor relations portal at www.irasia.com/listco/hk/enric.

Changes of the Memorandum and Articles of Association

During the year ended 31 December 2015, 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

Gao Xiang
Chairman

Hong Kong, 21 March 2016

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Business Review

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 for the energy, chemical and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements. A business review and further discussion and analysis of the principal activities can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report, which forms part of this directors' report.

Key financial and business performance indicators

The Group's key financial and business performance indicators comprise total assets growth, EBITDA margin, return on equity and gearing ratio.

The Group's total assets have grown steadily in 2015 to RMB12,312,226,000 (2014: RMB10,627,725,000) due to expansion of the business and revenue growth. This signifies the Group is still on an expansion path.

EBITDA margin dropped slightly from 12.6% in 2014 to 11.2% in 2015. This shows the Group's operational profitability has slightly deteriorated in 2015 mainly reflecting the diminished economies of scale comparing with 2014.

Return on equity fell by 9.7 percentage points to 8.4% (2014: 18.1%) which indicates the efficiency in utilising shareholders' fund to generate profit has declined in 2015. This coincides with the fall in the Group's revenue during the year.

Gearing ratio increased from 3.2% in 2014 to 27.0% in 2015 mainly because of the increased level of external borrowing toward the end of 2015 to replenish working capital as well as to fund acquisition of businesses. Nevertheless the Group still maintained a net cash position as at 31 December 2015 and achieved positive operating cash inflow during 2015.

Details of other key performance indicators are shown in "Financial Highlights" and "Financial Review" sections of this Annual Report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators. During the year, the Company has complied, to the best of our knowledge, with the Listing Rules, the SFO, and other relevant rules and regulations. Besides, the subsidiaries within the Group continue to comply with their applicable local laws. During the year, the Company was not aware of any particular law and regulation that would have a significant impact on the Group's operation.

Principal risks and uncertainties

The Group operates as a manufacturer of specialised equipment and provider of project engineering services for energy, chemical and liquid food industries. The Group's normal course of business is exposed to a variety of key risks including credit, liquidity, interest rate and currency risks. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 43 to the financial statements.

Directors' Report

Principal Activities and Business Review *(Continued)*

The Group's business and profitability growth is also affected by the volatility or uncertainty of, externally (i) the macro-economic conditions in China and other global nations; (ii) the Chinese government's policies, especially natural gas pricing policies; (iii) the industrial development and market trends; and internally (i) the effectiveness of the Group's strategic plans; (ii) the synergies generated from acquisitions; (iii) the Group's recruitment and retention of talents with relevant expertise and experience. In response to the above, the Group has formulated a range of plans and strategies as a whole and for each segment, details of which can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report.

Environmental policies and performance

The Group is committed to promoting green operation. The subsidiaries within the Group have implemented relevant environmental protection measures, and have developed new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. Internally, the Group encourages its employees to adopt environmentally responsible behavior to reduce use of resources, minimise waste and increase recycling.

The subsidiaries of the Company in China strictly comply with the country's environmental laws and regulations and were not aware of any material non-compliance with relevant standards, rules and regulations during the year.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers, regulators and shareholders.

Employees

Employees are regarded as the most important and valuable assets of the Group. Apart from the compliance with relevant employment laws, the objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's customers comes from energy, chemical and liquid food industries. The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Special focus has been devoted to the Group's after-sale services to maintain safe and efficient operation of the products for customers.

Suppliers

Sound relationships with suppliers of the Group are important in the supply chain, which can derive cost effectiveness and foster long term business benefits. The Group has formulated criteria for selection of strategic suppliers, in terms of their product offers, operational scale and development strategies. Under a win-win objective, the Group has cooperated with strategic suppliers to achieve interactive learning and mutual support.

Regulators

The Company is listed in Hong Kong under the regulation of the Stock Exchange, SFC and other relevant authorities. It is the Group's desire to keep up to date and ensure compliance with new rules and regulations.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group targets to foster business development for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts, taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

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 2015 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 54 to 135.

Dividends and Reserves

The Directors are pleased to propose a final dividend in respect of 2015 of HKD0.100 per ordinary share (the "2015 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on Friday, 20 May 2016.

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 2015 is as follows:

	Percentage of the Group's total sales	purchases
The largest customer	10.9%	–
Five largest customers in aggregate (Note 1)	23.5%	–
The largest supplier	–	6.6%
Five largest suppliers in aggregate	–	27.4%

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 2015, 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.

Directors' Report

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 13 to the financial statements.

Retirement Schemes

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

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB608,000 (2014: RMB86,000).

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.

Share Issued

During the year, the Company has issued shares as a result of the exercise of share options under the share option scheme of the Company, a total of 4,144,000 shares of the Company, fully paid, were issued for a total consideration of RMB11,076,000.

Details of the shares issued during the year are set out in note 36 to the financial statements.

Equity-linked Agreements

Save for the share option scheme of the Company as set out on pages 45 to 47, no equity-linked agreements were entered into by the Group, or existed during the year.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2015 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. Gao Xiang (*Chairman*)
Mr. Liu Chunfeng (*General Manager*)
Mr. Jin Jianlong
Mr. Yu Yuqun

Non-executive Director

Mr. Jin Yongsheng

Independent Non-executive Directors

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

At the forthcoming AGM, Messrs. Jin Jianlong, Tsui Kei Pang and Zhang Xueqian will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2015, 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	Interests in underlying shares pursuant to share options	% of issued share capital (Note)
Gao Xiang	Beneficial owner	1,900,000	0.10%
Liu Chunfeng	Beneficial owner	800,000	0.04%
Jin Jianlong	Beneficial owner	1,400,000	0.07%
Yu Yuqun	Beneficial owner	1,298,000	0.07%
Jin Yongsheng	Beneficial owner	1,100,000	0.06%
Wong Chun Ho	Beneficial owner	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	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 2015, which was 1,935,627,088.

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle Group	Gao Xiang	Beneficiary of a trust (Note 1)	1,350,000	0.61% (Note 2)
	Liu Chunfeng	Beneficiary of a trust (Note 1)	1,000,000	0.45% (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 (A Shares)	Gao Xiang	Beneficial owner (Note 3)	375,000	0.03% (Note 4)
	Liu Chunfeng	Beneficial owner (Note 3)	177,400	0.01% (Note 4)
	Jin Jianlong	Beneficial owner (Note 3)	850,000	0.07% (Note 4)
	Yu Yuqun	Beneficial owner (Note 3)	750,000	0.06% (Note 4)
CIMC (H Shares)	Liu Chunfeng	Beneficial owner	10,200	0.01% (Note 5)

Directors' Report

Directors' Interests in Shares (Continued)

Long positions in the shares of associated corporations (Continued)

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. Mr. Gao, Mr. Liu, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan. 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 2015, which was 220,700,000.
3. Mr. Gao, Mr. Liu, Mr. Jin and Mr. Yu were granted stock options (A Shares) by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, 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 RMB10.77 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 28 September 2014 and 27 September 2020.
4. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 31 December 2015, which was 1,261,243,077.
5. The percentage is calculated based on the total number of share capital of CIMC (H Shares) in issue as at 31 December 2015, which was 1,716,576,609.

Save as disclosed above, as at 31 December 2015, 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 2015, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2015, 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	1,371,016,211 (Note 2)	70.83%
CIMC HK	Interest of controlled corporation	190,703,000 (Note 3)	9.85%
	Interest in controlled corporation	39,740,566 (Note 4)	2.05%
	Beneficial owner	1,140,572,645	58.93%
Charm Wise	Beneficial owner	190,703,000 (Note 3)	9.85%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2015, which was 1,935,627,088.
2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 1,140,572,645 ordinary shares held by CIMC HK and 39,740,566 ordinary shares held by CIMC Tank Equipment Investment Holdings Company Limited ("CIMC Tank Equipment"). Charm Wise, CIMC HK and CIMC Tank Equipment 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 a wholly-owned subsidiary of CIMC HK.
4. These ordinary shares are held by CIMC Tank Equipment, a wholly-owned subsidiary of CIMC HK.

Save as disclosed above, as at 31 December 2015, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

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

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

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

The exercise price of an option shall be at least the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average price of the closing prices of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five consecutive trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme. However, the Board may seek approval of the shareholders in general meeting for refreshing the 10% limit and/or for granting options beyond the 10% limit. Notwithstanding the refreshed limit and granting of options beyond the limit, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised must not exceed 30% of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Where further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total shares in issue, such further grant shall be subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting.

On 11 November 2009, the Company granted share options to certain eligible persons to subscribe for a total of 43,750,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 3,440,000 number of these options were lapsed as at 31 December 2015.

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 2,980,000 number of these options were lapsed as at 31 December 2015.

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.

Directors' Report

Share Options (Continued)

During the year ended 31 December 2015, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period	outstanding at 1 January 2015	Number of share options				outstanding at 31 December 2015
				granted during the year	exercised during the year	lapsed during the year	transferred to/from other category	
Directors								
Zhao Qingsheng (resigned on 1 April 2015)	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	–	–	(1,000,000)	–
	28/10/2011	28/10/2013–27/10/2021	135,000	–	–	–	(135,000)	–
	05/06/2014	05/06/2016–04/06/2024	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	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Liu Chunfeng (appointed on 1 April 2015)	11/11/2009	11/11/2010–10/11/2019	–	–	–	–	–	–
	28/10/2011	28/10/2013–27/10/2021	–	–	–	–	400,000	400,000
	05/06/2014	05/06/2016–04/06/2024	–	–	–	–	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	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
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	05/06/2016–04/06/2024	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	05/06/2016–04/06/2024	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	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			9,633,000	–	–	–	(835,000)	8,798,000

Share Options (Continued)

Grantee	Date of grant	Exercisable period	Number of share options					outstanding at 31 December 2015
			outstanding at 1 January 2015	granted during the year	exercised during the year	lapsed during the year	transferred to/from other category	
Employees	11/11/2009	11/11/2010–10/11/2019	9,522,000	–	(936,000)	–	–	8,586,000
	28/10/2011	28/10/2013–27/10/2021	24,726,000	–	(370,000)	(120,000)	(400,000)	23,836,000
	05/06/2014	05/06/2016–04/06/2024	31,870,000	–	–	–	(400,000)	31,470,000
Other participants	11/11/2009	11/11/2010–10/11/2019	8,770,000	–	(2,408,000)	–	1,000,000	7,362,000
	28/10/2011	28/10/2013–27/10/2021	2,492,000	–	(430,000)	–	135,000	2,197,000
	05/06/2014	05/06/2016–04/06/2024	3,850,000	–	–	–	500,000	4,350,000
Total			<u>90,863,000</u>	<u>–</u>	<u>(4,144,000)</u>	<u>(120,000)</u>	<u>–</u>	<u>86,599,000</u>

Notes:

- 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.

- 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.

- 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 weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2015 was HKD7.64 per share.

As at the date of this report, a total of 16,315,220 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 102,286,220 shares, representing 5.28% 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 2015.

Directors' Report

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.

Permitted Indemnity Provision

The Company's articles of association provides that every Director is entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has purchased and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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 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 RMB493,324,000.

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 RMB8,665,000.

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 from 27 October 2014 to 31 December 2016. During the year, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB359,499,000, the interest income from deposits recognised by the Group was RMB2,042,000 and the service charge incurred by the Group was RMB766,000.

On 16 January 2015, 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, other sites and equipment to the CIMC Group, for a term of three years from 1 January 2015 to 31 December 2017. During the year, the office service income recognised by the Group was RMB15,757,000.

On 16 January 2015, 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 2015 to 31 December 2017. During the year, the processing service charge incurred by the Group was RMB20,066,000.

Connected Transactions and Interests in Contracts *(Continued)***Connected transactions and continuing connected transactions subject to annual review** *(Continued)*

On 16 January 2015, the Company entered into a master procurement agreement with CIMC, whereby the Group agreed to procure various spare parts and/or raw materials, including but not limited to vehicle chassis, vehicle platforms intelligence system, containers and steel from the CIMC Group, for a term of three years from 1 January 2015 to 31 December 2017. During the year, the Group's total purchase from CIMC Group was RMB99,630,000.

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 28 November 2013, 27 October 2014, 16 January 2015 and 17 December 2015 made by the Company in respect of each of the disclosed continuing connected transactions.

Note 40 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.

Directors' Report

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 26 March 2015, Vela Holding B.V. (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with Beheermaatschappij.Burg.B.V. (the "Vendor") and Burg Service, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interests in Burg Service. The Vendor is an indirect wholly-owned subsidiary of CIMC.

Directors' interests in transactions, arrangement or contracts of significance

Save as disclosed above, no other transactions, arrangement or contracts of significance to which the Company or its subsidiaries or fellow subsidiaries or its parent company, was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed above, no other contracts of significance between the Company or its subsidiaries and the controlling shareholder or its subsidiaries subsisted at the end of the year or at any time during the year.

Note:

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

Confirmation of Independence

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence and considered each of them independent to the Group pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance

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

The Company's corporate governance report is set out on pages 25 to 38. 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 2015.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2015 Final Dividend, the register of members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016 (both days inclusive). In order to qualify for the 2015 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 Thursday, 26 May 2016.

Subject to the approval by shareholders at the AGM to be held on 20 May 2016, the 2015 Final Dividend will be paid in cash on or about 20 June 2016 to shareholders whose names appear on the register of members of the Company on 31 May 2016 (the "Record Date").

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2015 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 2015 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 2015 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2015 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 Thursday, 26 May 2016.

With respect to individual investors of Shanghai-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2015 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under the Notice Regarding Tax Policies Related to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

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.

Directors' Report

Public Float

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

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

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

Auditor

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

By order of the Board

Gao Xiang

Chairman

Hong Kong, 21 March 2016

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 set out on pages 54 to 135, which comprise the consolidated balance sheet as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000 (restated)
Revenue	4&12	8,241,333	11,266,822
Cost of sales		(6,708,616)	(9,144,174)
Gross profit		1,532,717	2,122,648
Change in fair value of derivative financial instruments		(5,612)	(2,196)
Other revenue	5	176,483	244,774
Other income, net	5	34,980	4,229
Selling expenses		(293,563)	(325,729)
Administrative expenses		(726,729)	(821,032)
Profit from operations		718,276	1,222,694
Finance costs	6(a)	(36,820)	(33,496)
Share of post-tax loss of associates	18	(426)	(1,497)
Profit before taxation	6	681,030	1,187,701
Income tax expenses	7	(144,817)	(148,330)
Profit for the year		536,213	1,039,371
Attributable to:			
Equity shareholders of the Company		519,194	1,027,638
Non-controlling interests		17,019	11,733
Profit for the year		536,213	1,039,371
Earnings per share	11		
– Basic		RMB0.268	RMB0.531
– Diluted		RMB0.265	RMB0.521

The notes on pages 62 to 135 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

Year ended 31 December

	2015 RMB'000	2014 RMB'000 (restated)
Profit for the year	536,213	1,039,371
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	(47,202)	(80,483)
Total comprehensive income for the year	489,011	958,888
Attributable to:		
Equity shareholders of the Company	471,992	947,155
Non-controlling interests	17,019	11,733
Total comprehensive income for the year	489,011	958,888

The notes on pages 62 to 135 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	13	2,224,597	2,007,767
Construction in progress	14	114,297	227,072
Investment property	15	–	38,982
Lease prepayments	16	440,661	440,373
Intangible assets	17	227,792	97,020
Investment in associates	18	4,000	4,457
Prepayment for acquisition of equity interests	20	178,634	–
Goodwill	21	232,871	129,341
Deferred tax assets	33(b)	72,468	58,123
		3,495,320	3,003,135
Current assets			
Derivative financial instruments	22	–	29
Inventories	23	1,911,889	1,968,608
Trade and bills receivables	24	2,566,252	3,139,053
Deposits, other receivables and prepayments	25	1,515,067	553,375
Amounts due from related parties	40(d)	126,224	168,429
Restricted bank deposits	27	661,524	111,886
Cash and cash equivalents	27	2,035,950	1,683,210
		8,816,906	7,624,590
Current liabilities			
Derivative financial instruments	22	7,094	1,511
Bank loans	28	125,000	60,499
Loans from related parties	40(e)	690,000	110,000
Trade and bills payables	29	1,813,486	1,859,682
Other payables and accrued expenses	30	1,598,546	1,855,371
Amounts due to related parties	40(d)	114,631	102,908
Warranty provision	31	40,656	49,375
Income tax payable	33(a)	28,874	16,334
Employee benefit liabilities	35	200	148
		4,418,487	4,055,828
Net current assets		4,398,419	3,568,762
Total assets less current liabilities		7,893,739	6,571,897

Consolidated Balance Sheet

As at 31 December 2015

As at 31 December

	Note	2015 RMB'000	2014 RMB'000 (restated)
Non-current liabilities			
Bank loans	28	933,070	25,223
Warranty provision	31	44,911	47,647
Deferred tax liabilities	33(b)	171,887	98,007
Deferred income	34	276,754	271,215
Employee benefit liabilities	35	1,645	1,175
		<u>1,428,267</u>	<u>443,267</u>
NET ASSETS		<u>6,465,472</u>	<u>6,128,630</u>
CAPITAL AND RESERVES			
Share capital	36(a)	17,733	17,699
Reserves	36(b)	6,294,270	6,065,127
Equity attributable to equity shareholders of the Company		<u>6,312,003</u>	<u>6,082,826</u>
Non-controlling interests		<u>153,469</u>	<u>45,804</u>
TOTAL EQUITY		<u>6,465,472</u>	<u>6,128,630</u>

The notes on pages 62 to 135 form an integral part of these consolidated financial statements.

The financial statements on pages 54 to 135 were approved by the Board of Directors on 21 March 2016 and were signed on its behalf.

Gao Xiang
Director

Jin Jianlong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Attributable to equity shareholders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	36(a)	36(b)(i)	36(b)(ii)	36(b)(iii)	36(b)(iv)	36(b)(v)				
At 1 January 2014 (as previously reported)	17,376	139,414	1,135,360	58,485	(202,418)	329,607	3,811,121	5,288,945	34,071	5,323,016
Burg Service B.V. under common control combination	–	–	1,263	–	83	–	8,301	9,647	–	9,647
At 1 January 2014 (restated)	<u>17,376</u>	<u>139,414</u>	<u>1,136,623</u>	<u>58,485</u>	<u>(202,335)</u>	<u>329,607</u>	<u>3,819,422</u>	<u>5,298,592</u>	<u>34,071</u>	<u>5,332,663</u>
Comprehensive income										
Profit for the year	–	–	–	–	–	–	1,027,638	1,027,638	11,733	1,039,371
Other comprehensive income										
Currency translation differences	–	–	–	–	(80,483)	–	–	(80,483)	–	(80,483)
Total comprehensive income	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(80,483)</u>	<u>–</u>	<u>1,027,638</u>	<u>947,155</u>	<u>11,733</u>	<u>958,888</u>
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	<u>323</u>	<u>(11,490)</u>	<u>(315)</u>	<u>28,915</u>	<u>–</u>	<u>43,706</u>	<u>(224,060)</u>	<u>(162,921)</u>	<u>–</u>	<u>(162,921)</u>
At 31 December 2014 (restated)	<u>17,699</u>	<u>127,924</u>	<u>1,136,308</u>	<u>87,400</u>	<u>(282,818)</u>	<u>373,313</u>	<u>4,623,000</u>	<u>6,082,826</u>	<u>45,804</u>	<u>6,128,630</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Attributable to equity shareholders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	36(a)	36(b)(i)	36(b)(ii)	36(b)(iii)	36(b)(iv)	36(b)(v)				
At 1 January 2015 (restated)	17,699	127,924	1,136,308	87,400	(282,818)	373,313	4,623,000	6,082,826	45,804	6,128,630
Comprehensive income										
Profit for the year	-	-	-	-	-	-	519,194	519,194	17,019	536,213
Other comprehensive income										
Currency translation differences	-	-	-	-	(47,202)	-	-	(47,202)	-	(47,202)
Total comprehensive income	-	-	-	-	(47,202)	-	519,194	471,992	17,019	489,011
Issuance of ordinary shares in connection with exercise of share options	34	15,312	-	(4,270)	-	-	-	11,076	-	11,076
Distribution to previous shareholders of Burg Service B.V. under common control combination	-	-	(11,737)	-	-	-	-	(11,737)	-	(11,737)
Equity-settled share-based transactions (note 32)	-	-	-	55,371	-	-	-	55,371	-	55,371
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	93,814	93,814
Transfer to general reserve	-	-	-	-	-	31,828	(31,828)	-	-	-
2014 final dividend paid	-	-	-	-	-	-	(297,525)	(297,525)	(3,168)	(300,693)
Total contributions by and distributions to owners of the company, recognised directly in equity	34	15,312	(11,737)	51,101	-	31,828	(329,353)	(242,815)	90,646	(152,169)
At 31 December 2015	<u>17,733</u>	<u>143,236</u>	<u>1,124,571</u>	<u>138,501</u>	<u>(330,020)</u>	<u>405,141</u>	<u>4,812,841</u>	<u>6,312,003</u>	<u>153,469</u>	<u>6,465,472</u>

The notes on pages 62 to 135 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000 (restated)
Operating activities			
Profit before taxation		681,030	1,187,701
Adjustments for:			
Depreciation and amortisation		212,786	200,697
Change in fair value of derivative financial instruments		5,612	2,196
Share of post-tax loss of associates		426	1,497
Interest income	5	(19,539)	(16,801)
Interest charges	6(a)	25,292	30,197
Gain from disposal of intangible assets		–	(5,137)
Net loss on disposal of property, plant and equipment and lease prepayment	5	2,004	1,416
Equity-settled share-based payment expenses	6(b)	55,371	34,761
Gain from disposal of available-for-sale equity interests	5	–	(7,941)
Foreign exchange (gain)/loss	5	(37,986)	2,147
		924,996	1,430,733
Operating profit before changes in working capital			
Decrease in inventories		144,260	526,141
Decrease/(increase) in trade and bill receivables		629,393	(695,298)
(Increase)/decrease in deposits, other receivables and prepayments		(489,758)	247,269
Decrease/(increase) in amounts due from related parties		42,205	(87,773)
(Decrease)/increase in trade and bill payables		(93,003)	439
Decrease in other payables and accrued expenses		(421,710)	(227,254)
Increase in amounts due to related parties		11,723	36,446
Increase/(decrease) in employee benefit liabilities		521	(1,654)
Increase in deferred income		5,539	3,003
Decrease/(Increase) in warranty provisions		(10,761)	11,394
		743,405	1,243,446
Cash generated from operations			
Income tax paid	33(a)	(78,658)	(169,970)
		664,747	1,073,476
Net cash from operating activities			

Consolidated Cash Flow Statement

For the year ended 31 December 2015

Year ended 31 December

	Note	2015 RMB'000	2014 RMB'000 (restated)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		(209,401)	(387,862)
Payment for acquisition of intangible assets		(1,096)	(363)
Proceeds from disposal of property, plant and equipment		4,896	27,060
Proceeds from disposal of lease prepayments		–	9,788
Proceeds from disposal of investment		–	8,000
Proceeds from disposal of intangible assets		–	5,137
Capital contribution to the associates		–	(2,057)
Interest received		19,539	16,801
Acquisition of subsidiaries, net of cash acquired	41	(196,495)	–
Equity investment under common control combination		(11,737)	–
Prepayment for equity investment		(178,634)	–
Loan to SOE	20	(430,000)	–
Restricted bank deposits		(549,638)	21,492
Net cash used in investing activities		(1,552,566)	(302,004)
Financing activities			
Proceeds from new bank loans		1,141,311	409,020
Repayment of bank loans		(212,117)	(492,666)
Interest paid		(26,956)	(32,374)
Proceeds from issuance of ordinary shares		11,076	14,231
Repurchase of shares of the Company		–	(31,442)
Dividends paid to Company's shareholders		(297,525)	(180,471)
Loans from related parties		846,000	245,000
Repayment of loans from related parties		(266,000)	(520,812)
Dividend paid to non-controlling interest		(3,168)	–
Net cash generated from/(used in) financing activities		1,192,621	(589,514)
Net increase in cash and cash equivalents		304,802	181,958
Cash and cash equivalents at 1 January		1,683,210	1,541,284
Effect of foreign exchange rate changes		47,938	(40,032)
Cash and cash equivalents at 31 December	27(b)	2,035,950	1,683,210

The notes on pages 62 to 135 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General information

CIMC Enric Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries.

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

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

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2016.

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 all applicable 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 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 26 March 2015, Vela Holding B.V. (“Vela”), a wholly-owned subsidiary of the Company, acquired from Beheermaatschappij.Burg.B.V. (“Beheermaatschappij”) 100% issued shares in Burg Service B.V. (“Burg”) for a cash consideration of RMB11,737,000.

Since the Company, Vela and Burg 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 Burg in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

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

The net assets of the combining entities are consolidated using the existing book values from the controlling 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.

2 Significant accounting policies *(Continued)*

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

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

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

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

Reconciliation of the results of operations for the year ended 31 December 2014 and the financial position as at 31 December 2014 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 2014				For the year ended 31 December 2015
	The Group RMB'000 (as previously reported)	Burg RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	The Group RMB'000
Results of operations					
Revenue	11,197,670	73,844	(4,692)	11,266,822	8,241,333
Profit from operations	1,216,924	5,770	–	1,222,694	718,276
Profit for the year	1,035,063	4,308	–	1,039,371	536,213
Profit for the year attributable to equity shareholders of the Company	1,023,330	4,308	–	1,027,638	519,194
Basic earnings per share (RMB)	0.529	0.002	–	0.531	0.268
Diluted earnings per share (RMB)	0.519	0.002	–	0.521	0.265

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

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

	As at 31 December 2014			As at 31 December 2015	
	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	7,601,410	23,180	–	7,624,590	8,816,906
Total assets	10,601,282	26,443	–	10,627,725	12,312,226
Current liabilities	4,042,152	13,676	–	4,055,828	4,418,487
Total liabilities	4,485,139	13,956	–	4,499,095	5,846,754
Equity attributable to equity shareholders of the Company	6,070,339	12,487	–	6,082,826	6,312,003

(c) Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

There are no new or amended standards 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.

(ii) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 Significant accounting policies *(Continued)*

(c) Changes in accounting policies and disclosures *(Continued)*

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(d) Subsidiaries

(i) Consolidation

(a) Business Combination

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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 income statement.

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 income statement 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.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

(b) Changes in ownership interest in subsidiaries without change of control

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.

(c) Disposal of subsidiaries

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 income statement.

(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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(e) Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax loss of associates' in the income statement.

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

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

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating business level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (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:

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

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

- (iii) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 2(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 income statement 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 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.

Notes to the Financial Statements

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 revenue is recognised to the extent of contract costs incurred that is probable be recoverable, and 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 from customers” 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 and income recognition

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

(i) Sale of goods

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

(ii) Contract revenue

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

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

(iii) Services

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

(iv) Rental income from operating leases

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

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(y) Revenue and income 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

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is HK dollar ("HKD"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's presentation currency.

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 Significant accounting policies *(Continued)*

(z) Translation of foreign currencies *(Continued)*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to income statement.

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

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

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

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

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(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.

(ad) Financial guarantee contract

Financial guarantee contracts in the scope of HKAS39 "Financial Instrument: Recognition and Measurement" are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3 Accounting estimates and judgements

(a) Key sources of estimation uncertainty

Notes 21, 32 and 43 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 of non-financial assets

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.

3 Accounting estimates and judgements *(Continued)*

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

(ii) Impairment of receivables

As described in note 2(n), receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there has been a change in the factors used to determine the provision for impairment which indicates that the value of the receivables has recovered, the impairment loss recognised in prior years is reversed.

(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 Revenue

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.

Revenue 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 revenue during the year is as follows:

	2015 RMB'000	2014 RMB'000 (restated)
Sales of goods	5,465,067	8,191,291
Revenue from project engineering contracts	2,776,266	3,075,531
	8,241,333	11,266,822

Notes to the Financial Statements

5 Other revenue and other income, net

		2015 RMB'000	2014 RMB'000 (restated)
Other revenue			
Government grants	(i)	53,566	37,609
Other operating revenue	(ii)	103,378	182,423
Interest income from bank deposits		19,539	16,801
Investment income	(iii)	–	7,941
		<u>176,483</u>	<u>244,774</u>

(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 the available-for-sale equity interests.

		2015 RMB'000	2014 RMB'000
Other income, net			
Net loss on disposal of property, plant and equipment and lease prepayments		(2,004)	(1,416)
Charitable donations		(608)	(86)
Foreign exchange gain/(loss)		37,986	(2,147)
Other net (loss)/income		(394)	7,878
		<u>34,980</u>	<u>4,229</u>

6 Profit before taxation

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interest on bank loans and other borrowings	26,956	32,374
Less: interest capitalised	(1,664)	(2,177)
	<u>25,292</u>	<u>30,197</u>
Bank charges	11,528	3,299
	<u>36,820</u>	<u>33,496</u>

(b) Staff costs⁽ⁱ⁾

	2015 RMB'000	2014 RMB'000 (restated)
Salaries, wages and allowances	1,108,366	1,183,896
Contributions to retirement schemes (note 37)	64,787	60,853
Equity-settled share-based payment expenses (note 32)	55,371	34,761
	<u>1,228,524</u>	<u>1,279,510</u>

Notes to the Financial Statements

6 Profit before taxation (Continued)

(c) Other items

	2015 RMB'000	2014 RMB'000 (restated)
Cost of inventories ⁽ⁱ⁾	4,319,943	6,615,494
Auditors' remuneration		
– Audit services	7,025	5,055
– Non-audit services	2,328	–
Depreciation of property, plant and equipment ⁽ⁱ⁾	173,415	171,126
Amortisation of intangible assets	26,458	18,942
Amortisation of lease prepayments	10,502	10,629
Impairment provision for trade receivables	43,159	17,491
Reversal of impairment provision for trade receivables	(735)	(319)
Impairment provision for other receivables	1,351	–
Reversal of impairment provision for other receivables	(3)	(1,836)
Write-down of inventories	14,798	7,629
Reversal of write-down of inventories	(12,922)	(476)
Research and development costs	178,530	183,814
Operating lease charges for property rental	18,308	15,296
Provision for product warranties	31,523	41,459

- (i) Cost of inventories includes RMB331,071,000 (2014 restated: RMB437,267,000) 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:

	2015 RMB'000	2014 RMB'000 (restated)
Current tax		
Provision for the year	97,264	168,731
Over-provision in respect of prior years	(6,571)	(16,023)
	90,693	152,708
Deferred tax		
Origination and reversal of temporary differences	54,124	(4,378)
	144,817	148,330

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 rate applicable to advanced and new technology enterprises 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, no deferred withholding tax liability was provided for the distributable profits of PRC subsidiaries (note (b) below and note 33(b)) and the previously provided amount were 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:

	2015 RMB'000	2014 RMB'000 (restated)
Profit before taxation	681,030	1,187,701
Notional tax on profit before taxation, calculated at the applicable rates	200,225	315,999
Effect of tax concessions	(58,727)	(95,919)
Tax effect of non-taxable income	(5,346)	(6,058)
Tax effect of non-deductible expenses	8,050	8,714
Tax effect of unused tax losses not recognised	7,189	672
Deferred tax reversal on distributable profits	–	(59,053)
Over-provision in prior years	(6,571)	(16,023)
Utilisation of tax losses	(3)	(2)
Actual tax expense	144,817	148,330

Notes to the Financial Statements

8 Directors' remuneration and chief executive's emoluments

Details of Directors' and chief executive's remuneration for the year ended 31 December 2015 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 (ii)	-	-	-	-	-	188	188
Gao Xiang (iii)	-	193	3	1,705	1,901	612	2,513
Executive Directors:							
Liu Chunfeng (iv)	-	696	12	-	708	444	1,152
Jin Jianlong	-	-	-	-	-	455	455
Yu Yuqun	145	-	-	-	145	455	600
Non-executive Directors:							
Jin Yongsheng	36	-	-	-	36	455	491
Independent Non-executive Directors:							
Tsui Kei Pang	145	-	-	-	145	455	600
Wong Chun Ho	145	-	-	-	145	455	600
Zhang Xueqian	145	-	-	-	145	455	600
	616	889	15	1,705	3,225	3,974	7,199

8 Directors' remuneration and chief executive's emoluments (Continued)

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 (ii)	-	-	-	-	-	474	474
Executive Directors:							
Gao Xiang (iii)	-	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
	<u>572</u>	<u>1,159</u>	<u>12</u>	<u>1,517</u>	<u>3,260</u>	<u>2,934</u>	<u>6,194</u>

- (i) These represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(v)(ii).
- (ii) Mr. Zhao resigned as Executive Director and cease to be Chairman of the Company with effect from 1 April 2015.
- (iii) Mr. Gao was appointed as Chairman of the Company with effect from 1 April 2015. Mr. Gao also served as General Manager of the Company from 1 January 2015 to 31 March 2015.
- (iv) Mr. Liu was appointed as Executive Director of the Company with effect from 1 April 2015. In addition to his role as Executive Director, Mr. Liu also serves as General Manager of the Company with effect from 1 April 2015.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the section headed "Share Options" in the Directors' Report and note 32.

Notes to the Financial Statements

9 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2014: five) individuals with the highest emoluments, including one Director (2014: one), are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	6,399	7,574
Bonuses	14,155	5,100
Share-based payments	303	494
Retirement scheme contributions	2,592	1,687
	23,449	14,855

The emoluments of the five (2014: five) individuals including one Director with the highest emoluments are within the following bands:

	2015 Number of Individuals	2014 Number of Individuals
HKD3,000,001 – HKD3,500,000	1	2
HKD3,500,001 – HKD4,000,000	1	2
HKD4,500,001 – HKD5,000,000	–	1
HKD5,500,001 – HKD6,000,000	1	–
HKD7,000,001 – HKD7,500,000	1	–
HKD9,000,001 – HKD9,500,000	1	–

10 Dividends

The final dividend of approximately RMB297,525,000 (HKD0.195 per share) in respect of the year ended 31 December 2014 was paid in 2015. A final dividend in respect of the year ended 31 December 2015 of HKD0.1 (equivalent to approximately RMB0.084) per share has been proposed by the Directors. The proposed final dividend in respect of 2015 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.

	2015 RMB'000	2014 RMB'000
Proposed final dividend HKD0.1 (2014: HKD0.195) per ordinary share	162,593	297,525

11 Earnings per share

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

	2015 RMB'000	2014 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>519,194</u>	<u>1,027,638</u>
	2015	2014 (restated)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	1,934,055,617	1,933,527,891
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme (note 32)	<u>23,660,789</u>	<u>37,226,678</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,957,716,406</u>	<u>1,970,754,569</u>

12 Segment reporting

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

Notes to the Financial Statements

12 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.

12 Segment reporting (Continued)

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

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)
Revenue from external customers	3,396,808	5,422,026	2,709,679	3,383,062	2,134,846	2,461,734	8,241,333	11,266,822
Inter-segment revenue	364	1,376	50,224	85,480	–	–	50,588	86,856
Reportable segment revenue	3,397,172	5,423,402	2,759,903	3,468,542	2,134,846	2,461,734	8,291,921	11,353,678
Reportable segment profit (adjusted profit from operations)	237,770	600,997	345,035	495,261	251,940	244,969	834,745	1,341,227
Interest income from bank deposits	4,732	5,007	9,205	5,524	3,540	5,460	17,477	15,991
Interest expense	(5,579)	(6,928)	(296)	(2,271)	(8,996)	(18,290)	(14,871)	(27,489)
Depreciation and amortisation for the year	(126,779)	(115,452)	(35,091)	(32,529)	(47,908)	(52,284)	(209,778)	(200,265)
Reportable segment assets	6,406,000	6,048,600	3,012,484	2,103,727	2,159,697	2,372,517	11,578,181	10,524,844
Additions to non-current assets during the year	635,227	188,096	89,236	114,033	17,648	88,257	742,111	390,386
Reportable segment liabilities	2,612,186	2,503,883	593,277	600,345	944,180	1,154,667	4,149,643	4,258,895

Notes to the Financial Statements

12 Segment reporting *(Continued)*

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

	2015 RMB'000	2014 RMB'000 (restated)
Revenue		
Reportable segment revenue	8,291,921	11,353,678
Elimination of inter-segment revenue	(50,588)	(86,856)
Consolidated revenue	<u>8,241,333</u>	<u>11,266,822</u>

	2015 RMB'000	2014 RMB'000 (restated)
Profit		
Reportable segment profit	834,745	1,341,227
Elimination of inter-segment profit	(6,574)	(12,968)
Reportable segment profit derived from Group's external customers	828,171	1,328,259
Finance costs	(36,820)	(33,496)
Share of post-tax loss of associates	(426)	(1,497)
Unallocated operating income and expenses	(109,895)	(105,565)
Consolidated profit before taxation	<u>681,030</u>	<u>1,187,701</u>

	2015 RMB'000	2014 RMB'000 (restated)
Assets		
Reportable segment assets	11,578,181	10,524,844
Elimination of inter-segment receivables	(65,726)	(48,780)
Deferred tax assets	72,468	58,123
Unallocated assets	727,303	93,538
Consolidated total assets	<u>12,312,226</u>	<u>10,627,725</u>

12 Segment reporting *(Continued)*

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

	2015 RMB'000	2014 RMB'000 (restated)
Liabilities		
Reportable segment liabilities	4,149,643	4,258,895
Elimination of inter-segment payables	(65,726)	(48,780)
	4,083,917	4,210,115
Income tax payable	28,874	16,334
Deferred tax liabilities	171,887	98,007
Unallocated liabilities	1,562,076	174,639
Consolidated total liabilities	5,846,754	4,499,095

(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	
	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)
PRC (place of domicile)	4,337,322	6,203,719	2,933,840	2,601,359
United States	838,240	912,285	–	–
European countries	1,034,729	1,449,866	303,735	342,043
Asian countries (other than PRC)	930,630	1,241,259	–	–
Other American countries	965,073	1,322,058	–	–
Other countries	135,339	137,635	–	–
	3,904,011	5,063,103	303,735	342,043
	8,241,333	11,266,822	3,237,575	2,943,402

For the year ended 31 December 2015, there was one single external customer that accounted for 10% or more of the Group's total revenue (2014: nil).

Notes to the Financial Statements

13 Property, plant and equipment

	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 2014 (restated)	1,532,721	1,737	1,220,880	77,292	191,383	3,024,013
Additions	66,765	–	23,804	5,807	12,525	108,901
Disposals	(26,098)	(1,652)	(23,764)	(4,512)	(2,896)	(58,922)
Transfers from construction in progress	60,020	–	71,815	906	5,997	138,738
Transfers to investment property	(96,128)	–	–	–	–	(96,128)
Exchange adjustment	(44,429)	–	(30,847)	(2,119)	(7,284)	(84,679)
At 31 December 2014 (restated)	<u>1,492,851</u>	<u>85</u>	<u>1,261,888</u>	<u>77,374</u>	<u>199,725</u>	<u>3,031,923</u>
At 1 January 2015	1,492,851	85	1,261,888	77,374	199,725	3,031,923
Additions	3,312	–	12,413	10,938	18,007	44,670
Disposals	–	–	(26,013)	(4,628)	(6,526)	(37,167)
Transfers from construction in progress	165,331	–	112,276	2,951	3,483	284,041
Transfers from investment property	91,482	–	–	–	–	91,482
Acquisition through business combination (note 41)	42,968	–	12,300	1,800	2,464	59,532
Exchange adjustment	(12,661)	–	(11,668)	(745)	(2,741)	(27,815)
At 31 December 2015	<u>1,783,283</u>	<u>85</u>	<u>1,361,196</u>	<u>87,690</u>	<u>214,412</u>	<u>3,446,666</u>
Accumulated depreciation:						
At 1 January 2014 (restated)	(272,493)	(1,180)	(547,076)	(45,573)	(123,725)	(990,047)
Charge for the year	(53,571)	–	(90,126)	(4,996)	(22,433)	(171,126)
Written back on disposals	6,652	1,095	16,032	4,177	2,490	30,446
Transfers to investment property	57,146	–	–	–	–	57,146
Exchange adjustment	14,458	–	26,977	1,285	6,705	49,425
At 31 December 2014 (restated)	<u>(247,808)</u>	<u>(85)</u>	<u>(594,193)</u>	<u>(45,107)</u>	<u>(136,963)</u>	<u>(1,024,156)</u>
At 1 January 2015	(247,808)	(85)	(594,193)	(45,107)	(136,963)	(1,024,156)
Charge for the year	(52,471)	–	(91,459)	(10,211)	(19,274)	(173,415)
Written back on disposals	–	–	19,712	4,205	6,349	30,226
Transfers from investment property	(56,846)	–	–	–	–	(56,846)
Acquisition through business combination (note 41)	(6,479)	–	(4,566)	(1,411)	(1,132)	(13,588)
Exchange adjustment	2,610	–	10,062	391	2,607	15,670
At 31 December 2015	<u>(360,994)</u>	<u>(85)</u>	<u>(660,444)</u>	<u>(52,133)</u>	<u>(148,413)</u>	<u>(1,222,069)</u>
Net book value:						
At 31 December 2015	<u>1,422,289</u>	<u>–</u>	<u>700,752</u>	<u>35,557</u>	<u>65,999</u>	<u>2,224,597</u>
At 31 December 2014 (restated)	<u>1,245,043</u>	<u>–</u>	<u>667,695</u>	<u>32,267</u>	<u>62,762</u>	<u>2,007,767</u>

As at 31 December 2015, the Group was in the process of registering the title of buildings with net book value of RMB386,431,000 (2014: RMB345,417,000).

No property, plant and equipment is restricted or pledged as security for liabilities as at 31 December 2015 (2014: nil).

14 Construction in progress

	2015 RMB'000	2014 RMB'000 (restated)
At 1 January	227,072	84,672
Acquisition through business combination (note 41)	4,847	–
Additions	166,395	281,144
Transfers to property, plant and equipment	(284,041)	(138,738)
Exchange adjustment	24	(6)
At 31 December	114,297	227,072

15 Investment property

	RMB'000
Cost:	
At 1 January 2014	–
Transfers from owner-occupied property	96,128
At 31 December 2014	96,128
At 1 January 2015	96,128
Transfers to owner-occupied property	(91,482)
Exchange adjustment	(4,646)
At 31 December 2015	–
Accumulated depreciation:	
At 1 January 2014	–
Transfers from owner-occupied property	(57,146)
At 31 December 2014	(57,146)
At 1 January 2015	(57,146)
Charge for the year	(2,410)
Transfers to owner-occupied property	56,846
Exchange adjustment	2,710
At 31 December 2015	–
Net book value:	
At 31 December 2015	–
At 31 December 2014	38,982

Notes to the Financial Statements

15 Investment property (Continued)

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 investment property to owner-occupied property after a change in use.

The property rental contract was terminated during the year and the rental income in 2015 was RMB3,562,000 (2014: RMB2,091,000).

16 Lease prepayments

	2015 RMB'000	2014 RMB'000 (restated)
Cost:		
At 1 January	497,885	509,382
Acquisition through business combination (note 41)	11,621	–
Disposals	–	(11,497)
	<u>509,506</u>	<u>497,885</u>
At 31 December	509,506	497,885
Accumulated amortisation:		
At 1 January	(57,512)	(48,592)
Acquisition through business combination (note 41)	(831)	–
Charge for the year	(10,502)	(10,629)
Written back on disposals	–	1,709
	<u>(68,845)</u>	<u>(57,512)</u>
At 31 December	(68,845)	(57,512)
Net book value:		
At 31 December	<u>440,661</u>	<u>440,373</u>

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 32 to 48 years as at 31 December 2015 (2014: 33 to 49 years).

17 Intangible assets

	Technical know-how RMB'000	Trade-name RMB'000	Trademarks RMB'000	Software RMB'000	Customer relationship RMB'000	Major contract RMB'000	Total RMB'000
Cost:							
At 1 January 2014	127,390	29,887	97	5,477	27,000	4,800	194,651
Additions	231	–	–	132	–	–	363
Exchange adjustment	(9,006)	(3,420)	(11)	(321)	–	–	(12,758)
At 31 December 2014	<u>118,615</u>	<u>26,467</u>	<u>86</u>	<u>5,288</u>	<u>27,000</u>	<u>4,800</u>	<u>182,256</u>
At 1 January 2015	118,615	26,467	86	5,288	27,000	4,800	182,256
Acquisition through business combination (note 41)	159,050	–	–	–	–	–	159,050
Additions	469	–	–	627	–	–	1,096
Exchange adjustment	(3,371)	(1,279)	(4)	(108)	–	–	(4,762)
At 31 December 2015	<u>274,763</u>	<u>25,188</u>	<u>82</u>	<u>5,807</u>	<u>27,000</u>	<u>4,800</u>	<u>337,640</u>
Accumulated amortisation:							
At 1 January 2014	(55,993)	(2,823)	(20)	(2,395)	(5,400)	(4,800)	(71,431)
Charge for the year	(13,575)	(1,928)	(24)	(715)	(2,700)	–	(18,942)
Exchange adjustment	4,520	487	4	126	–	–	5,137
At 31 December 2014	<u>(65,048)</u>	<u>(4,264)</u>	<u>(40)</u>	<u>(2,984)</u>	<u>(8,100)</u>	<u>(4,800)</u>	<u>(85,236)</u>
At 1 January 2015	(65,048)	(4,264)	(40)	(2,984)	(8,100)	(4,800)	(85,236)
Acquisition through business combination (note 41)	(16)	–	–	–	–	–	(16)
Charge for the year	(21,129)	(1,644)	(20)	(965)	(2,700)	–	(26,458)
Exchange adjustment	1,653	171	1	37	–	–	1,862
At 31 December 2015	<u>(84,540)</u>	<u>(5,737)</u>	<u>(59)</u>	<u>(3,912)</u>	<u>(10,800)</u>	<u>(4,800)</u>	<u>(109,848)</u>
Net book value:							
At 31 December 2015	<u>190,223</u>	<u>19,451</u>	<u>23</u>	<u>1,895</u>	<u>16,200</u>	<u>–</u>	<u>227,792</u>
At 31 December 2014	<u>53,567</u>	<u>22,203</u>	<u>46</u>	<u>2,304</u>	<u>18,900</u>	<u>–</u>	<u>97,020</u>

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

Notes to the Financial Statements

18 Investment in associates

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

	2015 RMB'000	2014 RMB'000
At 1 January	4,457	4,000
Addition	–	2,057
Share of post-tax loss of associates	(426)	(1,497)
Exchange adjustment	(31)	(103)
At 31 December	4,000	4,457

Nature of investment in associates as at 31 December 2015 and 2014

Name of entity	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest	Measurement method
Jiuquan Enric Kunlun Cryogenic Equipment Limited	PRC 15 August 2013	Registered and paid-in capital of RMB10,000,000	40%	Equity
Nirota B.V.	The Netherlands 5 May 2014	Authorised and paid-in capital of Euro180,000	49%	Equity

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

19 Subsidiaries

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

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

19 Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Enric 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
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

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Perfect Vision International Limited	British Virgin Islands 21 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	100%	–	Investment holding
Win Score Investments Limited	Hong Kong 29 January 2008	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
Ziemann Holvrieka B.V. (formerly known as Holvrieka Ido B.V.)	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacturing of tanks

19 Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Ziemann 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
Ziemann Holvrieka N.V. (formerly known as Holvrieka N.V.)	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574	–	100%	Sales, engineering and manufacturing of tanks
Ziemann Holvrieka A/S (formerly known as 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 RMB220,455,000	–	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 RMB88,000,000	–	100%	Provision of project engineering services
Nantong CIMC Energy Equipment Co, Ltd (formerly known as Nantong CIMC Transportation & Storage Equipment Co., Ltd.)	PRC 20 March 2007	Registered and paid-in capital of USD10,000,000	–	100%	Manufacturing and sales of special vehicles
Ziemann Holvrieka GmbH (formerly known as 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 2014	Registered and paid-in capital of USD900,000	–	100%	Manufacture and sale of pressure vessels

Notes to the Financial Statements

19 Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Enric Management Limited	British Virgin Islands 30 May 2015	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
Ziemann Holvrieka Asia Co., Ltd (formerly known as Holvrieka (China) Co., Ltd.)	PRC 20 December 2007	Registered and paid-in capital of USD47,700,000	–	100%	Manufacture and sale of tanks
Sichuan Jinke Cryogenic Engineering Co., Ltd. (“Jinke”)	PRC 6 August 2009	Registered capital and paid-in capital of RMB14,000,000	–	55%	Provision of integrated business solutions for gas equipment
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. (“Hashenleng”)	PRC 26 January 2010	registered capital and paid-in capital of RMB50,000,000	–	60%	Provision of integrated business solutions for gas equipment

- (i) The Group’s effective interests in Hongtu, Zhangjiagang Greenery Cryogenic Engineering Company Limited, Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd., Jinke and Hashenleng are 80%, 90%, 90%, 55% and 60% respectively.

20 Prepayment for acquisition of equity interests

On 27 August 2015, CIMC Enric Investment Holdings (Shenzhen) Ltd. (“EIHL”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with SOEG PTE LTD (“SOEG”), Jiangsu Pacific Shipbuilding Group Co., Ltd. (“Jiangsu Pacific”) and Evergreen Group Co., Ltd. (“Evergreen”), pursuant to which they agreed to sell and EIHL agreed to purchase 100% equity interest in SinoPacific Offshore & Engineering Co., Ltd. (“SOE”), being 33.36%, 29.95% and 36.69% equity interest held by SOEG, Jiangsu Pacific and Evergreen, respectively. As at 31 December 2015, EIHL has paid RMB178,634,000 as prepayment for consideration and the transaction has not yet been completed.

On 21 December 2015, the Group, SOE and Evergreen entered into a financial assistance framework agreement (“Financial Assistance”) which governed the financial assistance provided by the Group to SOE in the form of loan and guarantee. The maximum amount of Financial Assistance is RMB1,500,000,000.

As at 31 December 2015, the Group had provided a loan of RMB430,000,000 to SOE, which is guaranteed by Evergreen on a back-to-back basis at nil consideration. The repayment is within one year or on demand. The interest rate is 4.85% per annum. The Directors of the Company have determined that no provision for the outstanding borrowings is required.

As at 31 December 2015, the Group’s bank deposits of RMB550,000,000 were restricted as collateral for SOE’s bank loans. Such guarantees will be released after the repayment of the relevant loans.

21 Goodwill

	2015 RMB'000	2014 RMB'000
Cost		
At 1 January	129,341	129,341
Acquisition through business combination (note 41)	103,530	–
	<u>232,871</u>	<u>129,341</u>
At 31 December	<u>232,871</u>	<u>129,341</u>

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

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

	2015 RMB'000	2014 RMB'000
CIMC Sanctum	8,297	8,297
Nantong Tank	7,265	7,265
Hongtu	27,221	27,221
YPDI	86,558	86,558
Jinke	2,087	–
Hashengleng	101,443	–
	<u>232,871</u>	<u>129,341</u>
At 31 December	<u>232,871</u>	<u>129,341</u>

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 2015 and 2014. 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 extrapolated using the estimated industrial growth rates.

Notes to the Financial Statements

21 Goodwill (Continued)

For the significant amount of goodwill allocated to the CGU relating to YDPI and Hashengleng, the key assumptions and discount rate used in the value-in-use calculations in 2015 and 2014 are as follows.

	YDPI		Hashengleng
	2015	2014	2015
Revenue (average annual growth rate)	40%	30%	30%
Gross margin (% of revenue)	13%	18%	24%
Other operating costs (RMB'000)	34,000	34,000	34,000
Pre-tax discount rate	15.6%	14.8%	13.54%

Revenue 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 revenue. 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

	2015		2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000 (restated)	Liabilities RMB'000 (restated)
Forward foreign exchange contracts	–	7,094	29	1,511

At 31 December 2015, 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 consolidated balance sheet comprise:

	2015 RMB'000	2014 RMB'000 (restated)
Raw materials	601,520	725,815
Consignment materials	61,023	79,274
Work in progress	527,424	568,851
Finished goods	721,922	594,668
	1,911,889	1,968,608

23 Inventories *(Continued)*

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

	2015 RMB'000	2014 RMB'000 (restated)
Carrying amount of inventories sold	4,319,943	6,615,494
Write-down of inventories	14,798	7,629
Reversal of write-down of inventories	(12,922)	(476)
	<u>4,321,819</u>	<u>6,622,647</u>

24 Trade and bills receivables

	2015 RMB'000	2014 RMB'000 (restated)
Trade debtors and bills receivables	2,709,417	3,195,500
Less: allowance for doubtful debts	(143,165)	(56,447)
	<u>2,566,252</u>	<u>3,139,053</u>

(a) Ageing analysis

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

	2015 RMB'000	2014 RMB'000 (restated)
Current	1,442,618	2,334,421
Less than 1 month past due	138,039	146,710
1 to 3 months past due	407,001	278,644
More than 3 months but less than 12 months past due	291,679	304,281
More than 12 months past due	286,915	74,997
Amounts past due	<u>1,123,634</u>	<u>804,632</u>
	<u>2,566,252</u>	<u>3,139,053</u>

Notes to the Financial Statements

24 Trade and bills receivables (Continued)

(a) Ageing analysis (Continued)

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 43(a).

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

(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:

	2015 RMB'000	2014 RMB'000
At 1 January	56,447	63,598
Acquisition through business combination	51,186	–
Impairment loss recognised	43,159	17,491
Reversal of provision	(735)	(319)
Uncollectible amounts written off	(7,053)	(23,218)
Exchange adjustment	161	(1,105)
At 31 December	<u>143,165</u>	<u>56,447</u>

At 31 December 2015, the Group's trade receivables of RMB548,775,000 (2014: RMB317,130,000) 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 RMB143,165,000 (2014: RMB56,447,000) were recognised. The Group does not hold any collateral over these balances.

24 Trade and bills receivables *(Continued)*

(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	
	2015 RMB'000	2014 RMB'000 (restated)
Neither past due nor impaired	1,442,618	2,334,421
Less than 1 month past due	76,500	99,760
1 to 3 months past due	193,670	153,888
More than 3 months but less than 12 months past due	228,789	234,566
More than 12 months past due	207,319	55,735
	<u>706,278</u>	<u>543,949</u>
	<u>2,148,896</u>	<u>2,878,370</u>

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

	2015 RMB'000	2014 RMB'000 (restated)
Loan to SOE (i)	430,000	–
Advances to suppliers	189,982	150,203
Deposits for tenders, contract work and equipment purchase	99,057	66,888
Staff advances	6,159	10,920
Deductible input value-added tax (“VAT”)	19,700	18,994
Prepayments for services	6,095	12,116
Amount due from customers for contract work	746,919	228,078
Others	17,155	66,176
	<u>1,515,067</u>	<u>553,375</u>

(i) As at 31 December 2015, the Group had provided a loan of RMB430,000,000 to SOE. Details are set out in Note 20.

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

Notes to the Financial Statements

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 RMB1,208,140,000 (2014: RMB1,235,411,000), less progress payments received.

No gross amount due from/to customers for contract work at 31 December 2015 and 2014 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 2015 is RMB34,072,000 (2014: RMB63,308,000). Retentions amounting to RMB10,740,000 is expected to be recovered within one year. And retentions amounting to RMB23,332,000 is expected to be recovered beyond one year.

27 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

As at 31 December 2015, bank deposits of RMB111,524,000 (2014: RMB111,886,000) were restricted as deposits for banking facilities.

At at 31 December 2015, the Group's bank deposits of RMB550,000,000 were restricted as collateral for SOE's bank loans. Details are set out in Note 20.

(b) Cash and cash equivalents

	2015 RMB'000	2014 RMB'000 (restated)
Cash in hand and demand deposits	2,035,071	1,682,155
Restricted bank deposits within three months of maturity	879	1,055
Cash and cash equivalents (as shown in the consolidated balance sheet and the consolidated cash flow statement)	2,035,950	1,683,210

28 Bank loans

(a) At 31 December 2015, the bank loans were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	125,000	60,499
After 1 year but within 2 years	933,070	25,223
	1,058,070	85,722

(b) At 31 December 2015, all the bank loans were unsecured. The Group's bank loans of RMB105,000,000 (2014: RMB85,722,000) was under the terms of cross-guarantee provided by the subsidiaries of the Company.

28 Bank loans (Continued)

(c) The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	130,223	50,223
US dollar	844,168	–
Hong Kong dollar	83,679	35,499
	<u>1,058,070</u>	<u>85,722</u>

(d) As at 31 December 2015, the fair value of non-current bank loans approximated their carrying amounts as all such loans are with floating interest rate.

(e) 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 43(b). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: nil).

29 Trade and bills payables

	2015 RMB'000	2014 RMB'000 (restated)
Trade creditors	1,539,170	1,678,606
Bills payables	274,316	181,076
	<u>1,813,486</u>	<u>1,859,682</u>

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

	2015 RMB'000	2014 RMB'000 (restated)
Within 3 months	1,605,635	1,583,489
3 months to 12 months	137,303	246,642
Over 12 months	70,548	29,551
	<u>1,813,486</u>	<u>1,859,682</u>

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

Notes to the Financial Statements

30 Other payables and accrued expenses

	2015 RMB'000	2014 RMB'000 (restated)
Advances from customers	908,980	1,159,990
Payables for construction work	37,649	42,156
Accrued expenses	307,489	185,300
Employees' salary, bonus and welfare	215,805	310,670
Other surcharges payable	10,838	6,749
Other taxes payable	48,404	85,110
Directors' remuneration	–	284
Deposits received	24,419	35,255
Payables for acquisition of equity interests (Note 41(c))	25,155	–
Others	19,807	29,857
	<u>1,598,546</u>	<u>1,855,371</u>

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

31 Warranty provision

	2015 RMB'000	2014 RMB'000 (restated)
At 1 January	97,022	86,378
Additional provision made	31,523	41,459
Provisions utilised	(42,285)	(30,065)
Exchange adjustment	(693)	(750)
At 31 December	<u>85,567</u>	<u>97,022</u>
Represented by:		
Current portion	40,656	49,375
Non-current portion	44,911	47,647
Balance at 31 December	<u>85,567</u>	<u>97,022</u>

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	<u>120,370,000</u>		

Notes to the Financial Statements

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

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

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HKD6.57	90,863,000	HKD3.14	58,638,000
Granted during the year	–	–	HKD11.24	38,420,000
Forfeited during the year	HKD2.48	(120,000)	HKD2.48	(510,000)
Exercised during the year	HKD3.33	(4,144,000)	HKD3.21	(5,595,000)
Lapsed during the year	–	–	HKD4.00	(90,000)
Outstanding at the end of the year	HKD6.73	86,599,000	HKD6.57	90,863,000
Exercisable at the end of the year		48,179,000		42,003,000

The options outstanding at 31 December 2015 had an exercise price of HKD2.48, HKD4.00 or HKD11.24 (2014: HKD2.48, HKD4.00 or HKD11.24) and a weighted average remaining contractual life of 6.519 years (2014: 7.44 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 consolidated balance sheet**(a) Current taxation in the consolidated balance sheet:**

	2015 RMB'000	2014 RMB'000 (restated)
Current tax payable at the beginning of the year	16,334	33,909
Provision for income tax on profit for the year	90,693	152,708
Current tax paid	(78,658)	(169,970)
Exchange adjustment	505	(313)
Current tax payable at the end of the year	<u>28,874</u>	<u>16,334</u>

Notes to the Financial Statements

33 Income tax in the consolidated balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised:

	2015 RMB'000	2014 RMB'000
Deferred tax assets recognised on the consolidated balance sheet	72,468	58,123
Deferred tax liabilities recognised on the consolidated balance sheet	(171,887)	(98,007)
Deferred tax liabilities (net)	(99,419)	(39,884)

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	Fair value adjustment of tangible and intangible assets	Provision for product warranties	Depreciation allowances in excess of the related depreciation	Amortisation of intangible assets	Distributable profits of PRC subsidiaries	Accrued expenses	Movements of fair value of liabilities held for trading	Gains on disposal of land and buildings	Income recognised on project engineering contract/inventories	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 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	-	3,937	-	-	-	-	(2)	-	(287)	5,794	-	9,442
At 31 December 2014	<u>12,376</u>	<u>(34,498)</u>	<u>11,993</u>	<u>(3,198)</u>	<u>(313)</u>	<u>-</u>	<u>31,043</u>	<u>222</u>	<u>2,489</u>	<u>(59,998)</u>	<u>-</u>	<u>(39,884)</u>
At 1 January 2015	12,376	(34,498)	11,993	(3,198)	(313)	-	31,043	222	2,489	(59,998)	-	(39,884)
Credited/(charged) to the income statement	3,101	4,320	(1,964)	151	-	-	(4,303)	842	47	(57,650)	1,332	(54,124)
Addition through business combination (note 41)	15,713	(23,850)	-	-	-	-	-	-	-	-	-	(8,137)
Exchange adjustment	-	1,487	-	-	-	-	-	-	(423)	1,662	-	2,726
At 31 December 2015	<u>31,190</u>	<u>(52,541)</u>	<u>10,029</u>	<u>(3,047)</u>	<u>(313)</u>	<u>-</u>	<u>26,740</u>	<u>1,064</u>	<u>2,113</u>	<u>(115,986)</u>	<u>1,332</u>	<u>(99,419)</u>

33 Income tax in the consolidated 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 RMB44,433,000 (2014: RMB13,808,000) 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

	2015 RMB'000	2014 RMB'000
At 1 January	271,215	268,213
Received during the year	18,826	15,000
Recognised in the income statement	(13,287)	(11,998)
At 31 December	<u>276,754</u>	<u>271,215</u>

Deferred income mainly represents government grants obtained for the purposes of sponsoring the costs of construction of plants incurred by the Group. The related deferred income was recognised in the income statement over the useful life of the assets to 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) Share capital**

	2015		2014	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
Ordinary shares of the Company of HKD 0.01 each (i)	<u>10,000,000,000</u>		<u>10,000,000,000</u>	
Non-redeemable convertible preference shares of the Company of HKD 0.01 each (ii)	<u>2,000,000,000</u>		<u>2,000,000,000</u>	
Issued and fully paid:				
Ordinary shares				
At 31 December	<u>1,935,627,088</u>	<u>17,733</u>	<u>1,931,483,088</u>	<u>17,699</u>

Notes to the Financial Statements

36 Capital and reserves (Continued)

(a) Share capital (Continued)

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

	2015		2014	
	Number of shares of HKD0.01 each	RMB'000	Number of shares of HKD0.01 each	RMB'000
At 1 January	1,931,483,088	17,699	1,890,705,522	17,376
Exercise of share options (note 32)	4,144,000	34	5,595,000	44
Issue ordinary shares for acquisition (iii)	–	–	39,740,566	315
Cancellation of shares repurchased from market (iv)	–	–	(4,558,000)	(36)
At 31 December	1,935,627,088	17,733	1,931,483,088	17,699

- (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 2015 and 2014, no issued Convertible Preference Shares of the Company were outstanding.

- (iii) On 17 November 2014, Sound Winner Holdings Limited completed the acquisition from CIMC Tank Equipment Investment Holding Company Limited 100% of the issued share capital of Holvrieka (China) Co., Ltd. (“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)***(b) 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;
- (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; and
- (e) the nominal value of the share capital of Burg acquired of RMB1,263,000; and the aggregate cash consideration paid by the Company of RMB11,737,000 for the acquisition of Burg during the year ended 31 December 2015.

(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).

Notes to the Financial Statements

36 Capital and reserves *(Continued)*

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

(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 Belgian Law. The legal reserve is not distributable.

(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 2015, the Company had RMB4,926,178,000 available for distribution to equity shareholders of the Company (2014: RMB4,986,932,000).

(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 2014, 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)***(b) Nature and purpose of reserves** *(Continued)***(vii) Capital management** *(Continued)*

The net debt to adjusted capital ratio is as follows:

	Note	2015 RMB'000	2014 RMB'000 (restated)
Current liabilities			
Bank loans	28	125,000	60,499
Loans from related parties	40(e)	690,000	110,000
Trade and bills payables	29	1,813,486	1,859,682
Other payables and accrued expenses	30	1,598,546	1,855,371
Amounts due to related parties	40(d)	114,631	102,908
		4,341,663	3,988,460
Non-current liabilities			
Bank loans	28	933,070	25,223
Total debt		5,274,733	4,013,683
Less: Cash and cash equivalents	27	(2,035,950)	(1,683,210)
Net debt		3,238,783	2,330,473
Total equity			
Less: Proposed dividends	10	(162,593)	(297,525)
Adjusted capital		6,302,879	5,831,105
Net debt to adjusted capital ratio		51%	40%

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

Notes to the Financial Statements

37 Retirement benefits

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

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, employees contributions are subject to a cap of monthly relevant income of 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 Contingencies

Guarantees provided to SOE

As at 31 December 2015, the outstanding borrowings guaranteed by the Group amounted to RMB550,000,000. Details are set out in Note 20.

39 Commitments

- (a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements are as follows:

	2015 RMB'000	2014 RMB'000
Contracted for		
– Production facilities	69,959	123,875
– Acquisition of equity interests	415,512	–
	<u>485,471</u>	<u>123,875</u>

- (b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000 (restated)
Within 1 year	9,164	14,026
After 1 year but within 5 years	10,348	11,298
After 5 years	9,519	6,054
	<u>29,031</u>	<u>31,378</u>

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

Notes to the Financial Statements

40 Material related party transactions

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions

		2015 RMB'000	2014 RMB'000 (restated)
Sales	(i)	493,324	627,623
Purchases	(ii)	99,630	193,392
Comprehensive charges	(iii)	1,082	6,504
Processing charges	(iv)	20,066	22,686
Processing income	(v)	8,665	12,418
Office services income	(vi)	15,757	12,182
Loans from related parties	(vii)	846,000	245,000
Loan interest expenses	(vii)	14,673	21,861
Other financing services charges	(viii)	766	2,334
Deposit service	(ix)	359,499	141,749
Interest income from deposits	(ix)	2,042	113
Guarantees	(x)	–	119,479
Issuance of ordinary shares for equity investment		–	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 4.35% to 4.90% (2014: 4.90% to 5.25%) 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.

40 Material related party transactions (Continued)**(b) Transactions with the Group's associates****Nature of transactions**

		2015 RMB'000	2014 RMB'000
Lease income	(i)	<u>3,562</u>	<u>2,091</u>

(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:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	18,915	17,216
Share-based compensation benefits	<u>12,689</u>	<u>7,829</u>
	<u>31,604</u>	<u>25,045</u>

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

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

	2015 RMB'000	2014 RMB'000 (restated)
Trade receivables for products sold	126,224	168,429
Trade payables for raw material purchased and receipts in advance for sales	<u>(114,631)</u>	<u>(102,908)</u>

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.

Notes to the Financial Statements

40 Material related party transactions *(Continued)*

(e) Loans from related parties

	2015 RMB'000	2014 RMB'000
Loans from related parties	<u>690,000</u>	<u>110,000</u>

Notes:

- (i) The loans are unsecured, interest bearing from 4.35% to 4.90% (2014: 4.90% to 5.25%) per annum and are repayable within a year.

(f) Deposits placed with a related party

	2015 RMB'000	2014 RMB'000 (restated)
Deposits	<u>359,499</u>	<u>141,749</u>

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).

41 Business Combination

- (a) On 31 March 2015, the Group acquired 55% of the issued shares in Jinke, a company that is principally engaged in the design, production, sales and technical service of liquefaction equipment, for a cash consideration of RMB3,850,000 from third parties.

Goodwill of RMB2,087,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

- (b) On 31 July 2015, the Group acquired 60% of the issued shares in Hashengleng, a company that is principally engaged in the design, development, production and sale of equipment used in cryogenic liquefaction, gas separation and processing, and related construction and turnkey packages for natural gas, for a cash consideration of RMB240,000,000 from third parties.

Goodwill of RMB101,443,000 arose from a number of factors. Most significant amongst these is the premium attributable to pre-existing patents on liquefaction technology. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

41 Business Combination (Continued)

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

	Jinke RMB'000 (a)	Hashengleng RMB'000 (b)	Total RMB'000
Purchase consideration			
– Cash paid	2,695	216,000	218,695
– Payable	1,155	24,000	25,155
Total purchase consideration	<u>3,850</u>	<u>240,000</u>	<u>243,850</u>

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value		
	Jinke RMB'000	Hashengleng RMB'000	Total RMB'000
Cash and cash equivalents	342	21,858	22,200
Property, plant and equipment	126	45,818	45,944
Construction in progress	–	4,847	4,847
Intangible assets	–	159,034	159,034
Inventories	8,888	83,418	92,306
Lease prepayments	–	10,790	10,790
Trade and bills receivables	1,692	55,061	56,753
Other receivables deposits and prepayments	9,878	32,057	41,935
Deferred tax Assets	40	15,673	15,713
Bank loans and overdrafts	–	(5,000)	(5,000)
Trade and bills payables	(3,180)	(43,627)	(46,807)
Other payable and accrued expense	(14,580)	(125,151)	(139,731)
Deferred tax liabilities	–	(23,850)	(23,850)
Total identifiable net assets	<u>3,206</u>	<u>230,928</u>	<u>234,134</u>
Non-controlling interest	(1,443)	(92,371)	(93,814)
Goodwill (note 21)	2,087	101,443	103,530
	<u>3,850</u>	<u>240,000</u>	<u>243,850</u>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2015)	–	550	550
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	2,695	216,000	218,695
– cash and cash equivalents in subsidiary acquired	(342)	(21,858)	(22,200)
Cash outflow on acquisition	<u>2,353</u>	<u>194,142</u>	<u>196,495</u>

Notes to the Financial Statements

42 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	4,416,335	4,158,507
Current assets		
Other receivables	222	209
Amounts due from subsidiaries	1,889,257	1,004,744
Cash and cash equivalents	29,519	11,698
	<u>1,918,998</u>	<u>1,016,651</u>
Current liabilities		
Bank loans	–	35,499
Other payables and accrued expenses	7,640	9,410
Amounts due to subsidiaries	317,434	38,218
	<u>325,074</u>	<u>83,127</u>
Net current assets	<u>1,593,924</u>	<u>933,524</u>
Total assets less current liabilities	<u>6,010,259</u>	<u>5,092,031</u>
Non-current liabilities		
Bank loans	927,847	–
NET ASSETS	<u>5,082,412</u>	<u>5,092,031</u>
CAPITAL AND RESERVES		
Share capital	17,733	17,699
Reserves	5,064,679	5,074,332
TOTAL EQUITY	<u>5,082,412</u>	<u>5,092,031</u>

42 Balance sheet and reserve movement of the Company (Continued)

(b) Reserve movement of the Company

	Share premium RMB'000 36(b)(i)	Contributed surplus RMB'000 36(b)(ii)	Capital reserve RMB'000 36(b)(iii)	Exchange reserve RMB'000 36(b)(iv)	Retained profits RMB'000	Total RMB'000
At 1 January 2014	139,414	4,652,862	58,485	(567,087)	236,504	4,520,178
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	19,916	–	(5,729)	–	–	14,187
Issue ordinary shares for acquisition	–	250,792	–	–	–	250,792
Cancellation of shares repurchased from open market	(31,406)	–	–	–	–	(31,406)
Transfer to retained earnings	–	–	(117)	–	117	–
Equity-settled share-based transactions (note 32)	–	–	34,761	–	–	34,761
At 31 December 2014 and 1 January 2015	127,924	4,903,654	87,400	(554,103)	509,457	5,074,332
2014 final dividend paid	–	–	–	–	(297,525)	(297,525)
Total comprehensive income for the year	–	–	–	296,783	(75,324)	221,459
Issuance of shares in connection with exercise of share options	15,312	–	(4,270)	–	–	11,042
Equity-settled share-based transactions (note 32)	–	–	55,371	–	–	55,371
At 31 December 2015	143,236	4,903,654	138,501	(257,320)	136,608	5,064,679

Notes to the Financial Statements

43 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, bank balances and financial guarantee. 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 0% (2014: 2.91%) and 5.31% (2014: 8.54%) 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 and the contingencies disclosed in Note 38. The Group provides financial guarantees and loan to SOE amounting to RMB550,000,000 and RMB430,000,000 respectively, which would expose the Group 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.

(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.

43 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's 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:

	2015				2014 (restated)			
	Contractual undiscounted cash flow				Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	151,153	965,943	1,117,096	1,058,070	62,827	26,736	89,563	85,722
Bill payables, creditors and accrued expenses	2,454,648	–	2,454,648	2,454,648	2,469,953	–	2,469,953	2,469,953
Amounts due to related parties	825,767	–	825,767	804,631	218,648	–	218,648	212,908
	<u>3,431,568</u>	<u>965,943</u>	<u>4,397,511</u>	<u>4,317,349</u>	<u>2,751,428</u>	<u>26,736</u>	<u>2,778,164</u>	<u>2,768,583</u>

(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.

	2015		2014 (restated)	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	1.05%	2,035,047	1.04%	1,680,828
Bank loans	2.60%	(1,058,070)	4.48%	(85,722)

(ii) Sensitivity analysis

At 31 December 2015, 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 RMB3,664,000 (2014: RMB5,982,000). 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 2014.

Notes to the Financial Statements

43 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.

Exposure to foreign currencies
2015

	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bill receivables	–	240,792	–	18,255	–	3,017
Deposits, other receivables and prepayments	–	37,864	–	9,090	99	–
Cash and cash equivalents	1,851	395,156	1,956	98,922	–	1,841
Restricted cash	–	185	–	–	–	–
Advance from customers	–	(115,878)	–	(3,796)	–	–
Trade and bill payables	–	(6,540)	–	(9,085)	(642)	–
Other payables and accrued expenses	–	(16,420)	–	(1,857)	–	–
Bank loans	–	(844,069)	–	–	–	–
Overall net exposure	<u>1,851</u>	<u>(308,910)</u>	<u>1,956</u>	<u>111,529</u>	<u>(543)</u>	<u>4,858</u>

43 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

(iii) Exposure to currency risk (Continued)

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	<u>4</u>	<u>441,436</u>	<u>18,425</u>	<u>120,435</u>	<u>(65,742)</u>	<u>(1,635)</u>

(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	2015		2014	
	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained RMB'000	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained RMB'000
RMB	5% (5%)	69 (69)	5% (5%)	– –
USD	5% (5%)	(11,584) 11,584	5% (5%)	16,554 (16,554)
HKD	5% (5%)	73 (73)	5% (5%)	691 (691)
Euro	5% (5%)	4,182 (4,182)	5% (5%)	4,516 (4,516)
GBP	5% (5%)	(20) 20	5% (5%)	(2,465) 2,465
DKK	5% (5%)	182 (182)	5% (5%)	(61) 61

Notes to the Financial Statements

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

(d) Currency risk *(Continued)*

(iv) Sensitivity analysis *(Continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax (and 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 2014.

(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).

2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Financial assets at fair value through profit or loss	–	–	–	–
Derivative financial instruments:				
– Forward exchange contracts	–	7,094	–	7,094

2014

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

During the years ended 31 December 2015 and 2014, there were no significant transfers between instruments in Level 1 and Level 2.

43 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 2015 and 2014.

(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 2015 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2015	2014
Loans and borrowings	2.3% – 6%	1.98% – 6.15%

44 Immediate and ultimate controlling party

At 31 December 2015, 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.

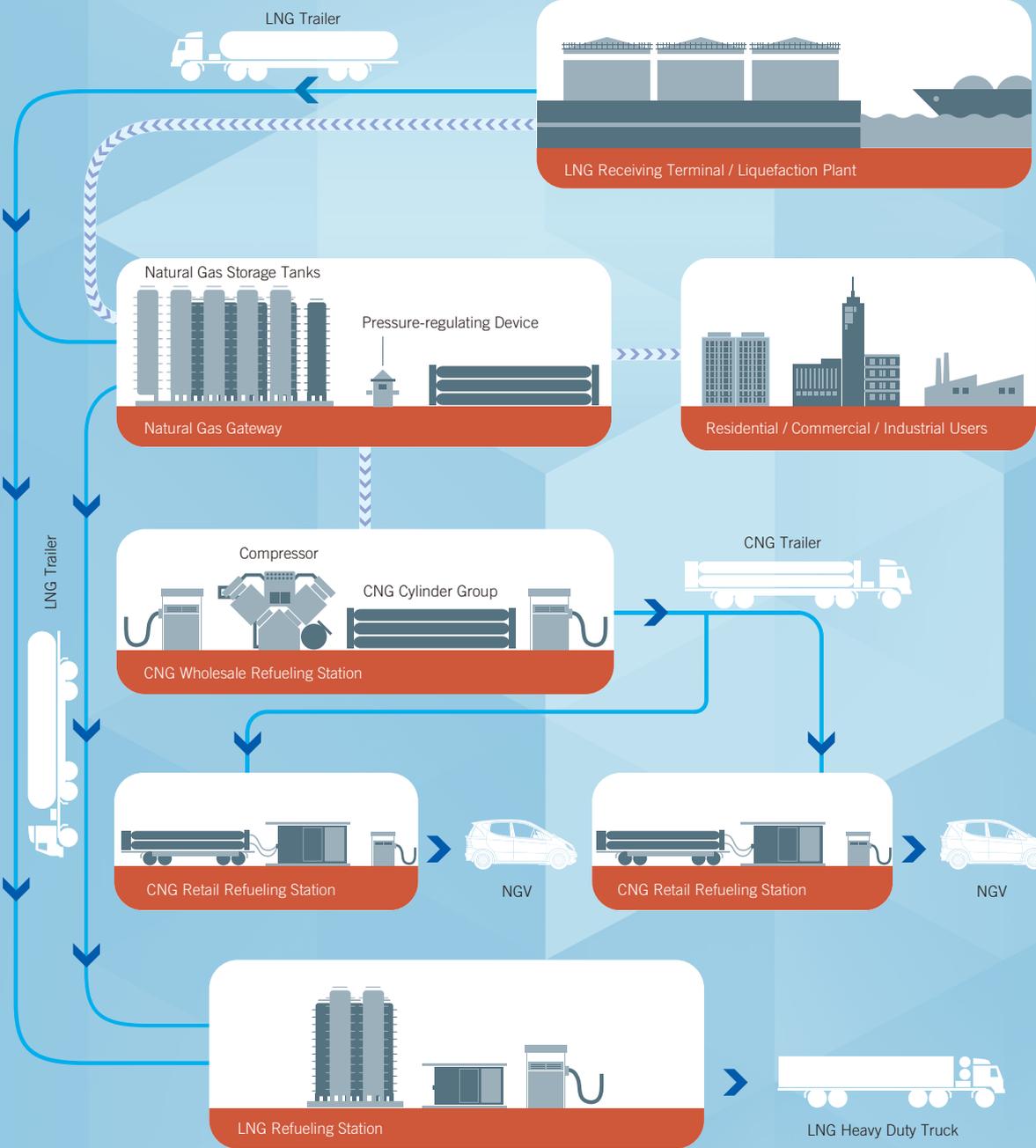
At 31 December 2015, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

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
“Burg Service”	Burg Service B.V.
“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
“Group”	the Company and its subsidiaries
“Hashenleng”	Liaoning Hashenleng Gas Liquefaction Plant Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SOE”	SinoPacific Offshore & Engineering Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ZHA”	Ziemann Holvrieka Asia Company Limited (formerly known as Holvrieka (China) Co., Ltd.)

NATURAL GAS TRANSPORTATION, STORAGE AND DISTRIBUTION



CIMC Enric Holdings Limited

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

Tel : (852) 2528 9386 Fax : (852) 2865 9877

Email : ir@enric.com.hk Website : www.enricgroup.com

IR Portal : www.irasia.com/listco/hk/enric

Headquarters in the PRC

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