CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3899

Annual Report 2011

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

Contents

Chairman's Statement

Our business achieved an **encouraging growth** in 2011 with net profit attributable to equity shareholders surged by 104.8%.

We are well prepared to cope with the challenges ahead, grasp business opportunities and bring long-term returns to shareholders.

2011 continued to be a year of fruitfulness and growth. Over the past few years, we experienced sustainable growth in terms of both turnover and net profit attributable to equity shareholders. Since 2009, our storage and transportation equipment business has extended from the energy equipment sector to the chemical and liquids food equipment sectors.

Last year, as planned, we dedicated full effort and resources to optimising and integrating our business and operational structures and develop organic growth to reinforce the solid foundation for our long term sustainable development.

Moreover, leveraging on our expertise and established experience in the design, manufacturing and sale of storage and transportation equipment for the energy industry, last year we decided to develop our own ability to offer project engineering services to the industry as another revenue driver. One of the means is by acquisition of suitable engineering company in the PRC. On 19 September 2011, we entered into an equity transfer agreement for the acquisition of the entire equity interest in YPDI. The acquisition of YPDI has been completed in January 2012.

Chairman's Statement

Our years of commitment in upholding good corporate governance have been well recognised. Following the receipt of our first professional award in corporate governance presented by the Hong Kong Institute of Certified Public Accountants in 2010, we received another award – "Corporate Governance Asia Recognition Awards 2011" from "Corporate Governance Asia" magazine. The award's judge panel noticed that we value good corporate governance, and emphasise on an effective board of directors, prudent internal and risk controls, transparency and quality disclosure, and also accountability to shareholders. Professional awards signify the ability and commitment of my fellow Directors, our management and our people as a whole to maintain best practices even as regulations and market expectations become more stringent over time.

I am pleased to report that our efforts in enhancing our production capacity by capital investment and technologies improvements and grasping market pulse in the steady recovery of the global economy have translated into real economic terms. Our businesses recorded a remarkable growth in 2011, the energy equipment and chemical equipment segments especially.

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

Results of the Year

Net profit attributable to equity shareholders for the year surged by 104.8% to RMB567,060,000 (2010: RMB276,901,000). Basic and diluted earnings per share were both RMB0.303 (2010: both RMB0.148).

Turnover rose to RMB6,716,034,000, a boost of 68.0%. Our largest segment – the energy equipment segment – experienced another year of stable growth with turnover rising by 36.6% to RMB3,268,406,000 (2010: RMB2,391,970,000). The chemical equipment segment outshone the other two segments in recording a strong growth in sales of 139.9% to RMB2,874,670,000 (2010: RMB1,198,268,000) due to a rise in demand for tank containers driven by increasing demand for chemicals amidst a recovering global economy. Despite the challenging business environment in Europe, the liquid food equipment segment posted a robust growth with sales rising by 40.3% to RMB572,958,000 (2010: RMB408,379,000).

The combination of a steadily recovering global economy, our proactive sales strategies and competitive pricing power and on-going effort on cost control all contributed to a surge in profit in 2011.

The Board is pleased to propose a final dividend in respect of 2011 of HK6.00 cents per ordinary share and HK6.00 cents per non-redeemable convertible preference share, subject to the approval of shareholders in the forthcoming annual general meeting to be held on Friday, 18 May 2012.

Future Plan and Strategies

After the 2008 global downturn, the world economy has been undergoing a gradual recovery. China recently took step to stimulate its economy by cutting the state's bank reserve requirements. It is expected that the Chinese government is confident in achieving its growth and inflation targets for 2012 with the modest monetary and fiscal easing policy.

The economic landscape of 2012 will continue to face uncertainties, we remain prudently optimistic about the outlook of the sectors we engaged in. We strive to be a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries.

We will continue to expand our core business and strengthen our core competitiveness to further consolidate our leading market position in equipment manufacturing. In addition, we have been proactively seeking new revenue sources to attain long-term and healthy growth. Our business portfolio will be enhanced through the materialisation of two acquisition arrangements entered into in the second half of 2011.

Developing our own ability to offer project engineering services and one-stop solutions is one of our key strategies. With over 10 years' experience and the advanced qualifications in design and project engineering possessed by YPDI, we believe that the acquisition will enhance our engineering service capability, and enable us to expand into the upstream customer network. YPDI will become our engineering business platform for the energy and chemical industries, and provide the relevant engineering services and integrated solutions for our existing and potential customers.

We will step up our effort in exploring project engineering business and largely focus on the development of cryogenic tanks, refueling station projects, small and medium scale liquefaction, petrochemical gas storage, gas processing projects and chemical spherical tanks.

Chairman's Statement

In order to enhance our production capacity of LNG trailers and other cryogenic transportation and storage products, on 30 November 2011, we entered into equity transfer agreements with certain subsidiaries of CIMC, to acquire the entire equity interest in Nantong Transport. Nantong Transport possesses the production capability and the license in the PRC to manufacture pressure vessels, and has been acknowledged by its customers in terms of high quality products and services in the special vehicle industry. We believe that we will benefit from the synergy brought by the acquisition in terms of manufacturing technologies and economies of scale, and will have our competitive position in the energy equipment sector further strengthened. The acquisition of Nantong Transport has been completed in February 2012.

China has for years heavily promoted natural gas consumption with significant investments being poured into the natural gas industry. Embracing the rapid growth of gas consumption in China, we have invested actively in building new plants to enlarge our production capacity scale, so as to satisfy the accelerating demand for natural gas storage and transportation equipment. These new plants are expected to be gradually completed and put into operation in 2012.

For the chemical equipment segment, our special tank containers have received extensive recognition by our customers and enable such products to develop quickly. We remain committed in maintaining our leading position in tank container manufacturing business and will pursue more business opportunities through development of various tank containers and proactive marketing strategies.

Expansion of export business is also our long-term development strategy. We plan to further penetrate into the international market and open up more business in emerging markets to achieve a sustainable growth in sales.

Looking forward to the year ahead, the global economy will be facing challenges due to the debt crisis in Europe, the slow economic recovery in the United States, the political instability in the Middle East, as well as the anticipated slowdown of economic growth in China. Confronted with these uncertainties, extra efforts will be put into implementing a number of stringent cost control measures and internal control policies to maintain our competitiveness.

In addition, we will continuously pay attention to cash flow planning and control through tighter control on inventory levels and trade receivables, and at the same time, we will maintain good relationship with commercial banks and, if necessary, obtain banking facilities for financing investment activities.

As for the production aspect, we will continue our manufacturing technology improvement programs which can contribute to reduction in production costs and enhancement of production efficiency and product quality.

On the back of the dedication of our staff, our future development strategies, our leading market position and solid fundamentals, we are well prepared to cope with the challenges ahead, grasp business opportunities and bring long-term returns to our shareholders.

Appreciation

The encouraging results achieved for the past year depended on the valuable contributions of our directors and employees. I would like to express my sincere appreciation to them. My appreciation also goes to our shareholders, customers and business partners for their continuing support and confidence in us.

Zhao Qingsheng
Chairman

Hong Kong, 19 March 2012

Financial Summary

	For the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000 (restated)	2007 RMB'000
Turnover	**6,716,034**	3,998,617	3,057,466	5,785,542	940,991
Profit from operations	**732,627**	377,698	274,887	713,258	135,887
Finance costs	**(10,733)**	(11,697)	(40,242)	(57,136)	(11,716)
Profit before taxation	**721,894**	366,001	234,645	656,122	124,171
Income tax	**(147,303)**	(83,589)	(34,124)	(103,517)	(5,295)
Profit for the year	**574,591**	282,412	200,521	552,605	118,876
Attributable to:					
Equity shareholders of the Company	**567,060**	276,901	199,731	552,313	118,876
Non-controlling Interests	**7,531**	5,511	790	292	–
	574,591	282,412	200,521	552,605	118,876
Earnings per share					
– basic	**RMB0.303**	RMB0.148	RMB0.107	RMB0.295	RMB0.264
– diluted	**RMB0.303**	RMB0.148	RMB0.107	RMB0.295	RMB0.260

	As at 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2,008 RMB'000 (restated)	2007 RMB'000
Total assets	**6,655,018**	4,848,476	4,296,521	4,397,320	1,060,915
Total liabilities	**(3,293,673)**	(2,033,833)	(1,721,029)	(2,045,365)	(415,073)
Net assets	**3,361,345**	2,814,643	2,575,492	2,351,955	645,842

Note: The comparative figures for the year 2007 have not been restated as if the current combined entity had been in existence then as the cost to produce such information outweighs the benefits.

Financial Highlights

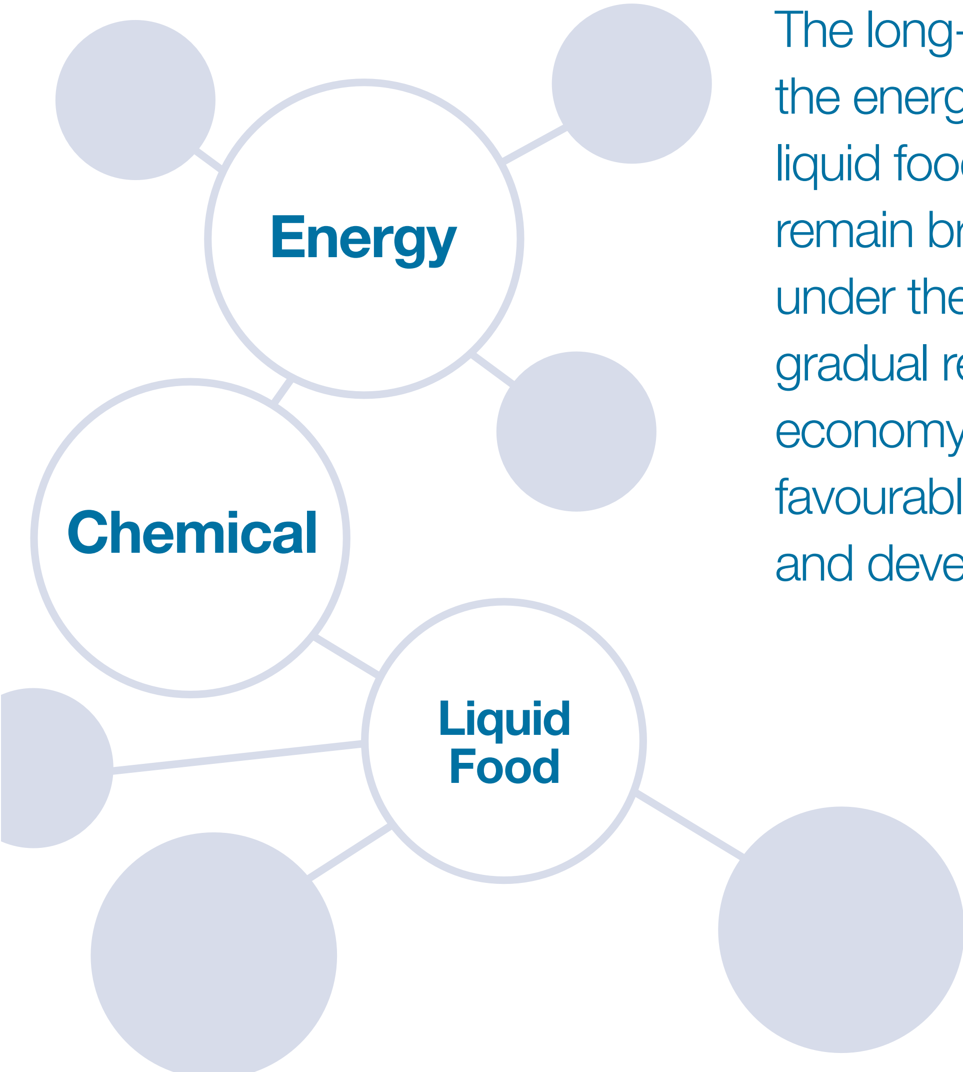
	As at 31 December		
	2011 RMB'000	2010 RMB'000	+/–
FINANCIAL POSITION			
Total assets	**6,655,018**	4,848,476	+37.3%
Net assets	**3,361,345**	2,814,643	+19.4%
Net current assets	**2,065,090**	1,694,532	+21.9%
Cash balances	**1,060,996**	941,109	+12.7%
Bank loans and overdrafts	**495,707**	121,679	+307.4%
Gearing ratio(1)	**14.7%**	4.3%	+10.4 ppt

	For the year ended 31 December		
	2011 RMB'000	2010 RMB'000	+/–
OPERATING RESULTS			
Turnover	**6,716,034**	3,998,617	+68.0%
Gross profit	**1,265,153**	749,096	+68.9%
EBITDA	**846,603**	485,091	+74.5%
Profits from operations	**732,627**	377,698	+94.0%
Profit attributable to equity shareholders	**567,060**	276,901	+104.8%
PER SHARE DATA			
Earnings per share – basic	**RMB0.303**	RMB0.148	+104.8%
Earnings per share – diluted	**RMB0.303**	RMB0.148	+104.8%
Net asset value per share	**RMB1.795**	RMB1.503	+19.4%
KEY STATISTICS			
GP ratio	**18.8%**	18.7%	+0.1 ppt
EBITDA margin	**12.6%**	12.1%	+0.5 ppt
Operating profit margin	**11.0%**	9.4%	+1.6 ppt
Net profit margin(2)	**8.4%**	6.9%	+1.5 ppt
Return on equity(3)	**16.9%**	9.8%	+7.1 ppt
Interest coverage – Times	**63.9**	31.5	+32.4
Inventory turnover days	**112**	125	-13
Debtor turnover days	**61**	81	-20
Creditor turnover days	**72**	86	-14

(1) Gearing ratio = Bank loans and overdrafts/Total equity

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

(3) Return on equity = Profit attributable to equity shareholders/Total equity



The long-term outlook of the energy, chemical and liquid food industries remain broadly positive under the anticipated gradual recovery of economy, the favourable polices and development trend.

Industry Overview

In 2011, the global economic recovery still remained sluggish since the start of the global financial crisis in 2008. The global recovery has been threatened by the euro zone debt crisis broke out in 2011. Nevertheless, the Chinese economy has, once again, shown its resilience in the midst of a difficult external environment, and achieved a GDP growth of 9.2 percent in 2011.

The long-term outlook of the energy, chemical and liquid food industries the Group engaged in remain broadly positive under the anticipated gradual recovery of economy, the favourable polices and development trend.

Energy

The global energy consumption resumed an upward trend and reached a growth of 5.6% in 2010, being the strongest growth since 1973. China's share of global energy consumption was the largest in the world at 20.3%, and China surpassed the United States as the world's largest energy consumer.

With an increase of awareness of the use of clean energy, world natural gas consumption grew by 7.4% being the most rapid increase since 1984, in which the Asia Pacific region saw a growth of 12.6%. China consumed 107 billion cubic meters ("bcm") of natural gas in 2010 with an average annual growth rate of 16% in the past ten years. This indicates China's natural gas market has stepped into a fast-growth period. China's natural gas consumption in 2011 is predicted to reach 129 bcm, up 20.6% over 2010.

Management Discussion and Analysis

The rapid development of natural gas in China is supported by the state's gas-boost plan. It is intended to propel the share of natural gas in primary energy consumption mix from the current 4% to approximately 8% with a total consumption of 260 bcm by 2015. To achieve this, significant investment will be poured into the construction and development of natural gas infrastructure for the receiving, processing and distribution of natural gas, such as LNG terminals, natural gas liquefaction plants, regasification plants and gas pipelines.

CNG refueling station system

In 2011, the Second West-East Gas Pipeline, the Third Shan-Jing Gas Pipeline and the Changling-Jihua Pipeline were completed and came into operation. With more gas pipelines, for example, the Sino-Burma Oil-and-Gas Pipeline which is expected to be in operation in 2013, the total length of the nation's gas pipeline is projected to be reaching 100,000 kilometers by 2015.

Following the LNG terminals in Rudong and Dalian started running in 2011, there are several LNG terminals under construction, such as Ningbo, Zhuhai, Caofeidian and Hainan. More natural gas infrastructure such as LNG satellite station, LNG refueling stations, liquefaction plants and natural gas depots will be built in China.

LNG trailer

Imports can greatly supplement domestic gas production to meet thriving demand for natural gas in China. The country is rapidly raising gas imports which currently account for roughly 20 percent of consumption. The country imported 9.36 million tons of LNG in 2010, a surge of 69% compared to 2009. It reached approximately 12 million tons for the year of 2011. Oil and gas giant companies in China have entered into agreements for LNG imports from several gas producing countries to maintain the stability of gas supply for the coming ten years. This reflects a huge growth potential for the LNG storage and transportation equipment market.

CNG trailer

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

LPG trailer

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

Natural gas has for years been heavily promoted for use in vehicles ("NGVs") by the Chinese government. Various measures are taken to adopt more NGVs, for example, establishment of more natural gas refueling stations in areas near various public transport fleets, introducing CNG and LNG buses and taxis on the road, which in turn offers good business opportunity for gas refueling station equipment.

Besides natural gas, LPG is the other commonly used gas fuel in China due to lack of natural gas pipeline grid in the medium and small cities as well as rural areas. China consumed approximately 22 million tons of LPG in 2010 as the world's second largest consumer of LPG. Despite the Chinese government is pushing forward to development and modernisation of the state, there is still potential for further growth in the LPG market.

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

Chemical

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

The global economy in 2011 is estimated to grow by around 3% as it continues to recover from the 2008 financial crisis. Catching up the gradual economic recovery, the outlook of the global chemical industry in 2011 is regarded as an impressive year of deal making as companies have switched their focus from survival to long term strategy development.

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

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

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

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

Management Discussion and Analysis

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 run a growing trend. In 2009, the Chinese government started a lot of road and highway construction projects as one of the economy stimulation measures. Huge amount of asphalt is required for these projects. Furthermore, since 2010, a vast amount of maintenance projects have commenced as many asphalted highways in China have gone into maintenance period. All these factors trigger a significant increase in demand for asphalt tanks. A lot of asphalt is by-products from petrochemical plants in Russia and the Middle East, this will also drive the use of asphalt tanks.

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

Liquid food

The liquid food industry comprises several markets, such as soft drinks, alcoholic drinks (including beer, wine and spirits), distilleries, fruit juice, milk, sauces and soup.

Hit by the worldwide financial crisis and high market saturation, expansion of liquid food industry in developed countries has decelerated in recent years. In opposite, the industry is growing fast in developing countries, like China and India with the robust growth of their economies accompanied by rapid urbanisation.

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

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

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

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

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

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

Tank containers on a truck

Liquid food tanks

Management Discussion and Analysis

Business Review

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

Product portfolio

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

Energy equipment

- CNG seamless pressure cylinders
- CNG trailers
- LNG trailers and tanks
- Natural gas refueling station systems
- LPG trailers and tanks
- Natural gas compressors
- Project engineering services, e.g. LNG application projects

Energy equipment is mainly sold under the brand names of “Enric”, “Sanctum” and “Hongtu”.

Chemical equipment

- Tank containers for chemical liquids, liquefied gas and cryogenic liquids

Tank containers are mainly sold under the brand name “Nantong CIMC”.

Liquid food equipment

- Stainless steel processing and storage tanks
- Project engineering services, e.g. turnkey projects for the processing and distribution of beer and fruit juice

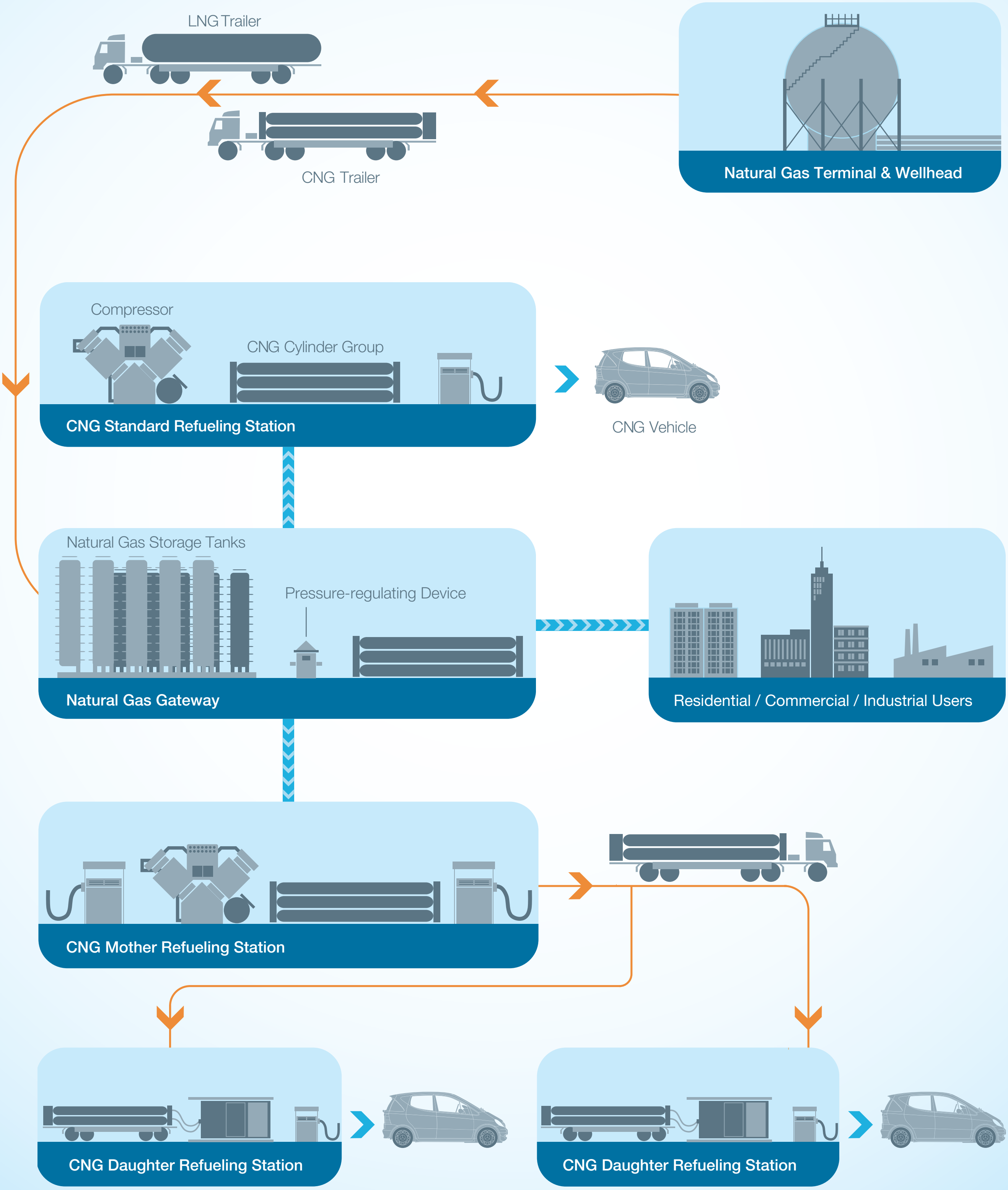
These products and services are branded under the name “Holvrieka”.

Tank containers

Tank containers are pressure vessels constructed mainly from stainless steel and carbon steel designed for transporting internationally traded liquids, industrial gases and powders. They are a form of intermodal transportation equipment, as a solution for reducing handling cost of liquid cargoes between port, rail and road links. Tank container specifications were standardised to take advantage of the growing infrastructure for handling ISO freight containers, which enabled port, rail and road haulage operators to handle door-to-door movements of liquid cargo seamlessly.

Tank containers are an integral part of the growing international transport industry and they represent one of the most efficient, safest and cost effective methods for transporting liquids, industrial gases and powders. In many cases, the most efficient way of transporting hazardous cargos, such as industrial gases, is through custom-made cryogenic tanks. Tank containers are manufactured using precision technology, advanced materials and are constructed under stringent national and international guidelines. The average selling price of a tank container is around ten to fifteen times the average selling price of a dry freight container. Demand for tank containers derives primarily from the chemicals industry but also from markets such as foodstuffs and beverages.

Natural gas transportation, storage and distribution



Management Discussion and Analysis

Operational performance

During the year ended 31 December 2011, the energy equipment segment remained the top grossing segment of the Group with revenue rose by 36.6% to RMB3,268,406,000 (2010: RMB2,391,970,000) and accounted for 48.7% (2010: 59.8%) of the Group's total turnover. Within the segment, CNG equipment was the biggest revenue contributor while LNG equipment was the growth engine of the segment.

The chemical equipment segment recorded a 139.9% increase in turnover to RMB2,874,670,000 (2010: RMB1,198,268,000) and made up 42.8% of the Group's total turnover (2010: 30.0%). Tank container, which is the dominant product of the segment, saw its sales volume doubled during the year and is the main driver for this segment's growth.

The liquid food equipment segment has made a comeback with turnover growing by 40.3% to RMB572,958,000 during the year (2010: RMB408,379,000) in 2011 and accounted for 8.5% of the Group's total turnover (2010: 10.2%).

Research and development

One of the key competitive edges of the Group is its dedication to R&D.

The energy equipment and chemical equipment arms of the Group have set up its own R&D centres locally in the PRC. Its liquid food equipment arm in Europe conducts R&D jointly with customers and makes products according to customers' technical specifications.

In addition to its in-house R&D teams, the Group has established long-term R&D cooperation with Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), and conducts research in collaboration with external professionals on project basis.

Following the acquisition of YPDI, the Group's R&D team has been working closely with YPDI on the overall planning and co-ordination of research and development on project engineering services and integrated solutions as well as product design, such as the natural gas liquefaction plant, petrochemical equipment and storage and transportation projects, and large-volume LNG storage tanks.

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

In 2011, the Group devoted RMB82,192,000 (2010: RMB72,022,000) to the R&D of new products and manufacturing technologies.

During the year, the Group conducted twenty R&D projects, for the energy equipment segment, such as CNG ship applications, LNG tanks with a volume of 20,000 cbm, high-pressure tube trailer, and equipment for storage and transportation of industrial gas like silane gas containers. The chemical equipment arm focused on the R&D of special tank containers, carbon steel tank containers and tank containers for refrigerant.

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

Production capacity

In 2011, the Group invested RMB519,404,000 in capital expenditure. On top of the investments for regular maintenance and production technology improvements amounted to RMB26,577,000, the investment amount of RMB431,052,000 and RMB61,775,000 were attributable to enhancement of production capacity and acquisition activities respectively.

During the year, we have made two strategic acquisitions to expand our core business and strengthen our core competitiveness in the energy and chemical industries. The first acquisition of YPDI enriches our project engineering capability which enables us to expand into upstream customer network; and the second acquisition of Nantong Transport will further increase our production capacity of our existing energy equipment including LNG trailers and other cryogenic transportation and storage products. The achievement of the above acquisitions definitely enables us to maintain leading position in equipment manufacturing. As of 31 December 2011, the capital commitment of the above acquisitions is approximately RMB169,577,000.

The Group targets to expand the production capacity of its energy equipment in order to tap on the progressive growth of gas source due to more pipelines and costal LNG terminals in operations in the coming years. This target will be principally achieved by organic growth through both expansions of our existing production plants and the construction of new production lines. Accordingly, during the year the capital expenditure mainly went to enhancement of energy equipment production facilities in the PRC which includes acquisition of land and construction of factory buildings for relocating the compressors production plant from the existing location to a newly developed industrial park in Bengbu. In addition, the Group is building a light weight composite cylinder production line in Shijiazhuang, expanding the LNG production facilities in Zhangjiagang and the LPG product plant in Jingmen. In anticipation of increase in demand for tank containers, the Group has also invested in enhancing the production capacities of the tank container production base in Nantong.

The Group's major production plants of energy equipment and chemical equipment are located in six cities across four provinces in the PRC, which are Nantong and Zhangjiagang of Jiangsu province, Shijiazhuang and Langfang of Hebei province, Jingmen of Hubei province and Bengbu of Anhui province. Production plants of liquid food equipment are mainly at Emmen and Sneek of the Netherlands, Randers of Danmark, and Menen of Belgium.

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 North America. Liquid food products and services are mostly sold in Europe.

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

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the year, the Group's revenue derived from overseas amounted to RMB3,307,052,000 (2010: RMB1,568,253,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America. The Group has organised visits to several emerging markets recently, so as to gather local market information and meantime promote its products and services.

Since the set-up of a representative office in South-east Asia has boosted local sales and allows direct access to customers in surrounding regions, the Group will look for opportunities to set up more representative offices in various Asian countries to facilitate sales and promotion.

Meanwhile, by providing referral arrangement for finance lease, the Group is able to solicit and retain more customers especially under this competitive business environment and tight monetary conditions in China.

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

Cost control

With firm determination to maximise cost efficiency, the Group continues to implement cost control and management enhancement programs. Benefiting from economies of scale as well as successful implementation of the above programs, operational efficiency and quality have seen encouraging improvement with internal resources better allocated and shared among operating units.

Purchase of raw materials commonly used by different operating units of the Group has been centralised and made in bulk order. Regular meetings with subsidiaries have been held to discuss and formulate procurement plans. During the year, satisfactory results in cost reduction have been accomplished.

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

Qualifications

All the superior manufacturing certificates and qualifications are subject to periodical review by industry bodies. The Group relies on advanced technologies and stringent manufacturing processes to obtain renewal of such qualifications.

It possesses qualifications from both local and international industry authorities such as the American Society of Mechanical Engineers (ASME), the China Classification Society, the China

Machinery Industry Federation (CMIF), the TÜV NORD Systems, the Ministry of Commerce, Industry and Energy of Korea, the Department of Transportation (DOT) of the United States, Bureau Veritas (BV) of France, the Lloyd's Register Group (LR) of the United Kingdom as well as the ISO9000 and ISO9001 certificates.

The Group also possesses certain patented technologies in different countries to protect its invention and know-how. During the year, the Group has applied for over twenty patents.

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

Customer service

The Group values long-standing relationship with customers. Timely delivery of after-sales customer service and technical support is pledged. Company visits are arranged regularly for local and overseas customers who are interested in gaining a better understanding of the daily operation and production processes of the Group.

Moreover, the Group organises regular conferences where customers are encouraged to share their opinion on the Group's products and services.

The Group, in collaboration with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), has established five examination centres for CNG trailers and other high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Urumqi and Yangzhou, the PRC. The original centre in Changzhou has been moved and combined with the newly built centre in Yangzhou which is expected to put into operation by April 2012. These examination centres are authorised to provide safety examinations for high pressure cylinder trailers required for special-vehicle license renewal in accordance with relevant safety regulations.

Human resources

The Group bases its competitive advantage on the excellence of its people, central to which is people development.

Competence-based training programmes and balanced score card tool were carried out in the year. Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development.

Performance based salary and bonus is implemented so as to boost motivation and morale and recognise outstanding employees. Share option is taken as a reward for past contributions and long-term incentives to Directors and core employees.

At 31 December 2011, the total number of employees of the Group was approximately 7,500. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB736,079,000 (2010: RMB524,329,000).

As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications, and experience of individual employee and prevailing market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong, contributions to government pension schemes to employees in Mainland China, and operation of various qualified defined benefit pension plans which are funded through payments to insurance companies for employees in Europe.

Financial Analysis

Turnover

Due to the continuous growth in global demand for equipment for the storage and transportation of natural gas and specialty gases, particularly in China, the energy equipment segment experienced a robust growth in 2011. With a recovering global economy, the demand for tank containers for transportation of chemicals rose sharply during the year and drove the chemical equipment segment's remarkable surge in turnover. Although, the business environment of liquid food equipment remained challenging, the segment posted an upswing in turnover due to an increase in order intakes. As a result, the turnover for 2011 increased by 68.0% to RMB6,716,034,000 over the previous year (2010: RMB3,998,617,000). The performance of each segment is discussed below.

Energy equipment remains the top grossing segment of the Group, its turnover rose by 36.6% to RMB3,268,406,000 (2010: RMB2,391,970,000) and accounted for 48.7% (2010: 59.8%) of the overall turnover.

Chemical equipment segment's turnover surged significantly by 139.9% to RMB2,874,670,000 (2010: RMB1,198,268,000) and contributed 42.8% (2010: 30.0%) of the overall turnover, making it the second top grossing segment of the Group during 2011.

Turnover of liquid food equipment segment was RMB572,958,000 (2010: RMB408,379,000), representing a rise of 40.3%, and made up 8.5% (2010: 10.2%) of the overall turnover.

Gross profit margin and profitability

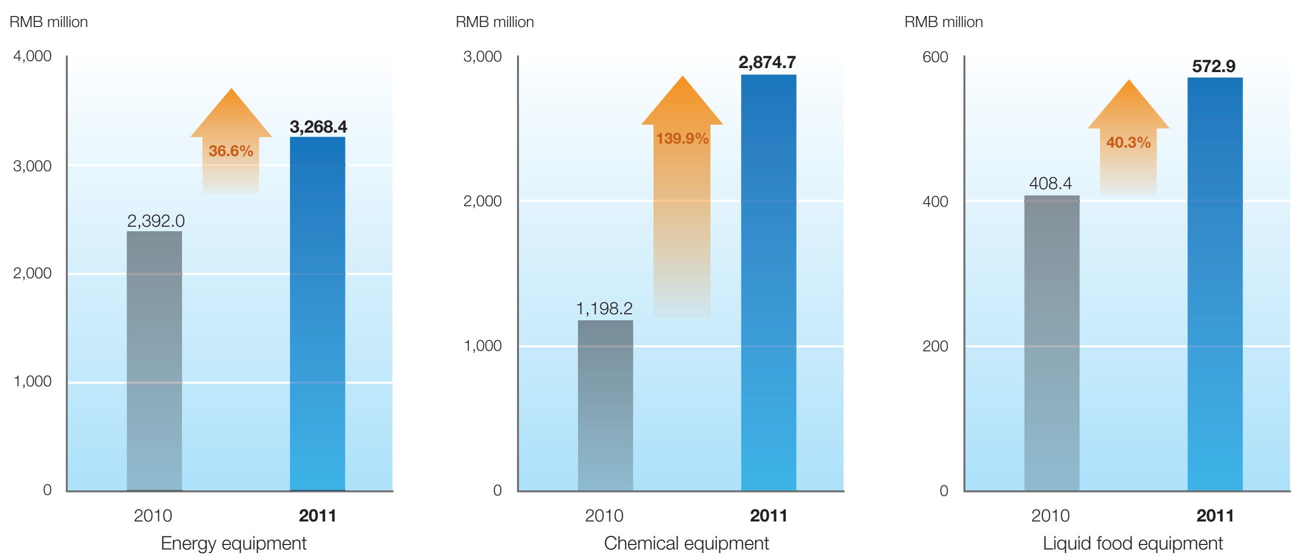
The energy equipment segment's gross profit margin ("GP margin") rose slightly by 1.7 percentage points to 23.8% (2010: 22.1%). The rise in the segment's GP margin was mainly caused by an increase in the GP margin of LNG storage and transportation products within the segment. The LNG storage and transportation products increased its GP margin as these products' average selling price ("ASP") rose due to a surge in demand for these products while unit cost rose at a slower pace than ASP.

In relation to the chemical equipment segment, its GP margin saw a further improvement from 12.0% in 2010 to 14.8% in the current year. The demand for tank container had been strong during 2011 owing to a gradually recovering global economy, which resulted in doubling of the sales volume in 2011. More importantly, higher selling price and improved production efficiency boosted the segment's GP margin.

The GP margin for liquid food equipment segment fell to 10.7% (2010: 18.6%). In order to boost sales order intakes, the segment has adopted an aggressive pricing strategy which adversely affected the segment's GP margin.

Due to the different contribution by respective segments on the overall GP margin, the improved GP margin of chemical equipment segment lifted the Group's overall GP margin slightly by 0.1 percentage point to 18.8% (2010: 18.7%).

Segment's Turnover



Management Discussion and Analysis

Profit from operations expressed as a percentage of turnover increased by 1.6 percentage points to 11.0% (2010: 9.4%) which is mainly attributable to the economies of scale that saw both selling and administrative expenses rising at a pace slower than the growth in turnover.

As a result, profit attributable to equity shareholders of the Company for the year reached RMB567,060,000 representing a growth of 104.8% over the previous year (2010: RMB276,901,000).

Cost of sales

In line with the increase in turnover, cost of sales rose by 67.7% to RMB5,450,881,000 during 2011 (2010: RMB3,249,521,000). Within cost of sales, 87.9% (2010: 86.1%), 5.4% (2010: 5.8%), 1.0% (2010: 1.8%) and 5.7% (2010: 6.3%) were attributable to raw materials, wages, depreciation and factory overheads respectively. The proportion of wages, depreciation and factory overheads decreased in 2011 due to improvement in operational efficiency.

Other revenue

Other revenue totalling RMB128,127,000 in 2011 (2010: RMB123,758,000) consisted of bank interest income, government grants and other operating revenue. The rise in other revenue was mainly caused by an increase in the office services income and bank interest income earned during 2011. However, the fall in government grants has to a certain extent offset the overall rise of other revenue.

Selling expenses

Selling expenses increased by 29.8% to RMB198,976,000 (2010: RMB153,265,000). Such expenses comprise transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increased at a slower pace than that of turnover as the cost of human resources remained stable despite a higher turnover which offset the increment in transportation expenses, product warranty and royalties.

Administrative expenses

Administrative expenses increased by 38.4% to RMB465,374,000 (2010: RMB336,284,000) which is slower than the rise in turnover. Administrative expenses rose mainly due to the increase in cost of human resources as a result of an increased headcount to cope with business expansion. Nevertheless, decrease in impairment provision on inventories and trade receivables and the fall in share-based payments expense have to some extent offset the rise in the cost of human resources.

Other net income/expenses

Other net income increased to RMB1,380,000 in 2011 (2010: other net expenses RMB6,348,000) which comprised loss on disposal of property, plant and equipment, loss on disposal of intangible assets, charitable donations and various miscellaneous income. The rise in current year's other net income was mainly attributable to the rise of other miscellaneous income and there was no loss on disposal of intangible assets (2010: RMB1,829,000).

Finance costs

During 2011, finance costs fell by 8.2% to RMB10,733,000 (2010: RMB11,697,000). Finance costs mainly comprised interest on bank loan and other borrowings of RMB11,468,000 (2010: RMB11,990,000). During the fourth quarter of 2011, the Group had increased the amount of borrowings thus making the loan balance at 31 December 2011 rising to a higher level than in 2010. However these new borrowings carry relative lower interest rates; thus causing interest expenses to reduce slightly in 2011. Moreover, the rise in exchange gain to RMB4,173,000 in 2011 (2010: RMB1,638,000) has further lowered the finance cost.

Taxation

Tax expenses for the Group surged by 76.2% to RMB147,303,000 in 2011 (2010: RMB83,589,000) which are mainly attributable to the strong operating performance of the Group. However, the reversal of temporary differences in relation to accrued expenses and income on construction contracts have resulted in a reversal of deferred tax expenses and offset the increase in current income tax.

Management Discussion and Analysis

Financial Resources Review

Liquidity and financial resources

At 31 December 2011, the Group recorded cash on hand of RMB1,060,996,000 (2010: RMB941,109,000) and bank loans and overdrafts of RMB495,707,000 (2010: RMB121,679,000). A portion of the Group's bank deposits totalling RMB86,940,000 (2010: RMB118,077,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit, bills payable and bank loans. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2011, the Group's bank loans and overdrafts amounted to RMB495,707,000 (2010: RMB121,679,000) and apart from the HKD325,000,000 (equivalent to RMB264,403,000) three-year term loans that bear interest at floating rates, the overall bank loans bear interest at rates from 1.96% to 6.67% per annum and repayable within one year. At 31 December 2011, the Group did not have secured bank loan (2010: secured bank loans of RMB19,769,000 were secured by a pledge of restricted bank deposits which had a carrying amount of RMB19,769,000). As of 31 December 2011, bank loans amounting to RMB492,757,000 (2010: RMB84,564,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2010: zero times) as the Group retained a net cash balance of RMB565,289,000 (2010: RMB819,430,000). The decrease in net cash balance is arising from the increment of short term bank loans, which is mainly to fulfill the higher work capital requirement for expanding trade volume. The Group's interest coverage was 63.9 times for the period (2010: 31.5 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During 2011, net cash generated from operating activities amounted to RMB317,595,000 (2010: RMB305,697,000). The Group drew bank loans of RMB1,162,958,000 (2010: RMB39,769,000) and repaid RMB774,534,000 (2010: RMB117,584,000).

Assets and liabilities

At 31 December 2011, total assets of the Group amounted to RMB6,655,018,000 (2010: RMB4,848,476,000) while total liabilities were RMB3,293,673,000 (2010: RMB2,033,833,000). The net asset value rose by 19.4% to RMB3,361,345,000 (2010: RMB2,814,643,000) which was mainly attributable to the net profit of RMB574,591,000 but offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB37,970,000 for the year. As a result, the net asset value per share increased to RMB1.795 at 31 December 2011 from RMB1.503 at 31 December 2010.

Contingent liabilities

At 31 December 2011, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2011, the Group had contracted but not provided for capital commitments of RMB354,350,000 (2010: RMB123,625,000). As of 31 December 2011, the Group did not have authorised but not contracted for capital commitments (2010: Nil).

Foreign exchange exposure

The Group is exposed to foreign currency risk primarily through trade transactions that are denominated in a currency other than its functional currency. The currency giving rise to this risk to the Group is primarily US dollars. The Group continuously monitors its foreign exchange exposure and controls such exposure by conducting its business activities and raising funds primarily in the denominations of its principal operating assets and revenue. Moreover, if necessary, the Group enters into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. Concurrently, the Group will 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 unutilized banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2011, the Group had total capital commitments of RMB354,350,000.

Directors and Senior Management

Directors

Mr. Zhao Qingsheng

Chairman and Executive Director, chairman of Nomination Committee

Mr. Zhao, aged 59, joined the Group as an Executive Director in September 2007 and has become the Chairman of the Board since October 2007. He graduated from the Wuhan University of Water Transportation Engineering (武漢水運工程學院) (now known as the Wuhan University of Technology (武漢理工大學)), majoring in vessel internal combustion engineering. Mr. Zhao joined China Merchants Group Limited (招商局集團有限公司) in 1983 and was the general manager of its enterprise department from 1991 to 1995. He was appointed the deputy general manager of China Merchants Holdings (International) Company Limited from 1995 to 1999. Mr. Zhao then joined CIMC and served as a vice-president from 1999 until now. He holds directorships in certain subsidiaries of the Company.

Mr. Gao Xiang

General Manager and Executive Director

Mr. Gao, aged 47, joined the Group as the General Manager in January 2009 and was appointed as an Executive Director in September 2009. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistic Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was also an assistant to the president of CIMC from 2004 to 2008, and currently hold directorships in certain subsidiaries of CIMC. He holds directorships in certain subsidiaries of the Company.

Mr. Jin Jianlong

Executive Director, member of Remuneration Committee

Mr. Jin, aged 58, 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 the manager 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). Mr. Jin is currently the general manager of the financial management department of CIMC. He holds directorships in certain subsidiaries of the Company.

Mr. Yu Yuqun

Executive Director

Mr. Yu, aged 46, 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 Offshore Group Limited (shares of which are listed on the Main Board of the Stock Exchange). He holds directorships in certain subsidiaries of the Company.

Mr. Jin Yongsheng

Non-executive Director

Mr. Jin, aged 48, 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 a qualified lawyer in China. 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.

Directors and Senior Management

Mr. Petrus Gerardus Maria van der Burg

Non-executive Director

Mr. van der Burg, aged 58, joined the Group as a Non-executive Director in September 2009. He graduated from the Rotterdam Technical Institutions, majoring in steel structures. Mr. van der Burg acted as a mechanical engineer in van Veen en Ettinger Rotterdam, the Netherlands in 1978. From 1978 to 2007, he held various chief executive positions and directorships in Burg Industries B.V., the former holding company of certain subsidiaries of the Company. Mr. van der Burg has over seven years of management experience in the tank container industry. Under his leadership, a well-known South African tank container producer developed various types of standard and special stainless steel tank containers. Mr. van der Burg holds directorship in certain subsidiaries of the Company.

Mr. Wong Chun Ho

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

Mr. Wong, aged 39, 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 51, joined the Group as an Independent Non-executive Director since November 2009. He obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a solicitor of England and Wales (non-practising), a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui is currently a partner of Gallant Y.T. Ho & Co. and specialises in China business practices. He is also the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Real Estate Association as well as a member of China Committee of Hong Kong General Chamber of Commerce.

Mr. Zhang Xueqian

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

Mr. Zhang, aged 62, joined the Group as an Independent Non-executive Director since September 2010. He received a PhD degree in accounting from Xi'an Jiaotong University (西安交通大學) and a master's degree in economics from Wuhan University (武漢大學). He is a registered accountant in the PRC. Presently, Mr. Zhang is a professor of the Business School of University of International Business and Economics (對外經濟貿易大學國際商學院) in the PRC, and was a former associate dean of the school. He was also a senior member of the Chinese Society of Technology and Economics (中國技術經濟研究會) and a researcher of Beijing Asia-Pacific Research Center of China Financial Accounting (北京亞太華夏財務會計研究中心). Mr. Zhang possesses strong academic background in accounting and finance.

Senior Management

Mr. Ren Yingjian

Deputy General Manager

Mr. Ren, aged 56, is responsible for assisting the General Manager in overseeing of business development and customer relations of the Group. He completed his study in Tsinghua University's School of Economics and Management (清華大學經濟管理學院). Mr. Ren was the general manager of Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司), a wholly-owned subsidiary of the Company, from 2003 to 2009. Prior to joining the Group, he was the managing director of Mudanjiang Gold Peony Knitwear Company (牡丹江金牡丹針織有限公司) and the general manager at Mudanjiang Sanxing Knitwear Factory (牡丹江三星針織廠). Mr. Ren is an engineer and experienced in the management of industrial enterprises.

Mr. Liu Sheng

Deputy General Manager

Mr. Liu, aged 43, is responsible for assisting the General Manager in overseeing of daily operation and project management of the Group. He obtained a bachelor's degree in mechanical production and technology from Shenyang Architectural and Civil Engineering Institute (瀋陽建築工程學院) (now known as Shenyang Jianzhu University (瀋陽建築大學)) and a master's degree in business administration from the Nanyang Technological University, Singapore. Prior to joining the Group in May 2006, Mr. Liu was the general manager of Sino-Japan Lanqiao Precise Diamond Equipment Joint-venture Limited (中日合資藍橋精密鑽石工具公司) and Mindong New Technology Development Co., Ltd. (閩東新科技開發有限公司) respectively. He is a senior engineer and has accumulated rich management experience in manufacturing industry.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 40, is responsible for financial management, corporate finance and implementation of corporate governance practices of the Company. He graduated with 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 an associate member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked at an international firm of certified public accountants and has many years of experience in accounting, financial management and corporate finance.

Corporate Governance Report

The Company understands that shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing shareholders' value and interests. The principles of the Company's corporate governance practices emphasise on an effective board, prudent internal and risk controls, transparency and quality disclosure, and, most importantly, accountability to shareholders.

Continued efforts have been undertaken in reviewing and enhancing the quality of corporate governance practices with reference to local and international standards. Since its listing on the Stock Exchange in October 2005, the Company has adopted the CG Code issued by the Stock Exchange as its principal guideline in relation to corporate governance practices.

The following policies and guidelines in connection with corporate governance are periodically reviewed and constitute supplementary components in the Company's governance framework:

- Policy on the Appointment of Directors;
- Director and Senior Management Remuneration Policy;
- Roles and Responsibilities of the Board and Senior Management;
- Procedures for Directors to seek Independent Professional Advice;
- Division of Responsibilities between the Chairman and the General Manager of the Company;
- Directors' Duties to Disclosures;
- 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; and
- Shareholders' Communication Policy.

Throughout the year ended 31 December 2011, the Company complied with all the code provisions set out in 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;
- internal control assessment;
- material financing projects;
- material acquisitions and disposals;
- interim and final results and dividends;
- connected and major transactions; and
- appointments to the Board.

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2011 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 2010 and 2011, and for the six months ended 30 June 2011 respectively;
- reviewed the continuing connected transactions of the Group;
- reviewed and revised the Group's internal guidelines namely, the "Director and Senior Management Remuneration Policy", "Roles and Responsibilities of the Board and Senior Management", "Procedures for Directors to seek Independent Professional Advice" and "Division of Responsibilities between the Chairman and the General Manager of the Company";
- reviewed and determined the remuneration packages of all Directors;
- reviewed the effectiveness of internal controls taken by the Group;
- proposed for shareholders' approval at the AGM held on 20 May 2011 the refreshment of the number of options to be granted under the share option scheme approved by the shareholders on 12 July 2006 (the "Scheme");
- approved the acquisition of the entire equity interest in YPDI;
- approved the acquisition of the entire equity interest in Nantong Transport;
- approved the grant of share options under the Scheme;
- approved banking facilities for the Company;
- approved the connected transaction contemplated under the office services agreement entered into between the Company and CIMC;

Board of Directors *(Continued)*

The board *(Continued)*

- approved the continuing connected transactions contemplated under the master office services agreement, the master processing services agreement, the master procurement of spare parts agreement and the technology licence agreement entered into between the Company and CIMC, and between their respective wholly-owned subsidiaries;

- reviewed and refined the corporate governance practices of the Company, in view of certain amendments to the Listing Rules and the CG Code to be effective on 1 April 2012;

- approved the change of composition of the remuneration committee and the nomination committee of the Company; and

- approved and adopted the guidelines namely “Procedures for Shareholders to Propose a Person for Election as a Director” and “Shareholders’ Communication Policy”.

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

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

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

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

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

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

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

Board of Directors *(Continued)*

Chairman and general manager

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

The roles of the Chairman and the General Manager are segregated with a clear division of responsibilities set out in writing. The Chairman, Mr. Zhao Qingsheng, is responsible for overseeing the effective functioning of the Board, setting the Group's strategies and direction, identifying business goals and the related business plans, monitoring the performance of senior management, and establishing good corporate governance practices. The General Manager, Mr. Gao Xiang, focuses on leading the senior management to execute the strategies and plans set out by the Board and reporting to the Board on the Group's operation from time to time to ensure proper discharge of duties delegated by the Board.

Board composition

The Board consists of nine members of which three are Independent Non-executive Directors which constitutes one-third of the Board, bringing in a sufficient independent voice. The other members are four Executive Directors and two Non-executive Directors.

Composition of the Board, by categories of directors, including names of the Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors, is disclosed in all corporate communications that require disclosure of director names.

The Board members come from a wide range of professional and educational backgrounds, including legal, accounting and corporate finance, economics, academic, management and industry expertise. It brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 19 to 20 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.

Responsibilities of directors

The Directors shall take decisions objectively in the 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 held in 2011 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.

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.

Board of Directors *(Continued)*

Responsibilities of directors *(Continued)*

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 legal updates and on issues of significance or on new opportunities of the Group and organises regular internal training programmes, covering topics such as corporate governance, assets, financial and human resources management, and the PRC laws. The Company will also invite external professional bodies to deliver training seminars to Directors.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed, upon their appointment, and provide periodical updates to the Company their offices held in public companies or organisations and other significant commitments (if any). Information of Directors' office in other companies which is of significant nature is set out on pages 19 to 20 and on the Company's website.

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

Each Director is required to confirm with the Company in writing, at least 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 2011.

Director's attendance

	No. of meetings attended during 2011			
	Board *(Note)*	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Zhao Qingsheng *(Chairman)*	5/5	–	–	–
Mr. Gao Xiang *(General Manager)*	4/4	–	–	–
Mr. Jin Jianlong	3/4	–	2/2	–
Mr. Yu Yuqun	3/4	–	–	–
Non-executive Directors				
Mr. Jin Yongsheng	6/6	–	–	–
Mr. Petrus Gerardus Maria van der Burg	4/4	–	–	–
Independent Non-executive Directors				
Mr. Wong Chun Ho	6/6	4/4	–	–
Mr. Tsui Kei Pang	6/6	4/4	2/2	–
Mr. Zhang Xueqian	6/6	4/4	2/2	–

Note:

A total of six Board meetings were held during 2011. For the Board meetings held on 30 November 2011 and 30 December 2011 for approving the connected transaction and/or continuing connected transactions with CIMC, Messrs. Zhao Qinsheng, Gao Xiang, Jin Jianlong, Yu Yuqun and Petrus Gerardus Maria van der Burg were required to abstain from voting and had excused themselves from these meetings, given their directorships and/or senior management positions in CIMC, pursuant to the Articles. Mr. Zhao Qingsheng was invited to attend the Board meeting on 30 November 2011 to introduce the reasons for and the benefit of the acquisition of Nantong Transport, as well as the basis of calculation for the considerations of such acquisition. He was not counted as quorum and had abstained from voting in the meeting.

Board of Directors *(Continued)*

Director's attendance *(Continued)*

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

Notes:

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

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

Appointments and Resignations of Directors

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

The Nomination Committee identifies and recommends to the Board of suitable candidates as Directors, taken into account various criteria such as their education, qualification and experience to determine whether their attributes are relevant to the business of the Group and can complement to the capabilities of existing Directors, and their independence (in the case of candidates as Independent Non-executive Directors). The committee also makes recommendations to the Board on matters relating to the re-appointment of and succession planning for Directors.

The Articles stipulate that all Directors are subject to retirement by rotation at least once every three years and retiring Directors are eligible for re-election at the AGM at which they retire.

All Non-executive Directors (including the Independent Non-executive Directors) are appointed for a specific term of three years, subject to retirement by rotation.

Remuneration of Directors

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

The key components of the remuneration package of Directors include basic salary and management bonus. Share options were granted as a long-term incentive to motivate Directors in pursuit of corporate goal and objectives.

The level of remuneration is mainly based on the Directors' experience, scope of duties 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 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.

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 for the Board and those delegated to management are set out clearly in writing and will be reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the effective discharge of the Board's decision.

The senior management, led by the General Manager, is responsible for executing strategies and plans set out by the Board and reporting to the Board periodically to ensure proper execution. Functions and responsibilities of the Board are set out in the section headed "Board of Directors" in this report.

Board committees

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

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

On 29 February 2012, the Board approved the revision of terms of reference of the three committees, in view of certain amendments to the Listing Rules and the CG Code to be effective on 1 April 2012.

In common with the Board, senior management will give adequate resources to the committees. The committees can also seek independent professional advice where necessary at the Company's expense and is supported by the Company Secretary.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee

The Audit Committee is chaired by Mr. Wong Chun Ho, who possesses professional accounting and financial qualifications. Its other members are Mr. Tsui Kei Pang and Mr. Zhang Xueqian. All of the above three are Independent Non-executive Directors and none of them is a former partner of the external auditor of the Group. Its major responsibilities are:

- to oversee the relationship with the external auditor, including:
  - (i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions of resignation or dismissal of such auditor;
  - (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 the engagement of 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; and
- to review the effectiveness of the Group's financial reporting and internal control systems.

The committee meets the external auditor and senior management of the Company (including accounting and finance management) regularly. During 2011 and up to the date of this report, the committee held six meetings and reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for each of the two years ended 31 December 2010 and 2011;
- the effectiveness of the financial reporting procedures and internal controls of the Group for each of the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2011, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the two years ended 31 December 2010 and 2011, and the interim results for the six months ended 30 June 2011 with the external auditor;
- the continuing connected transactions of the Group during 2010 and 2011 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- the compliance and enforcement of the deed of non-compete undertakings dated 1 June 2009 (the "Deed of Non-compete Undertakings" or the "Deed") made by CIMC in favour of the Company which was subject to annual review by the Independent Non-executive Directors thereunder;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of external auditor;
- the policy for provision of non-audit services by external auditor;
- the external auditor's management letters and the management's response thereto; and
- the effectiveness of internal control system of the Group for 2011.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

***Audit Committee** (Continued)*

In 2011 and up to the date of this report, the Company engaged KPMG as the external auditor of the Group. KPMG 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 2011	537,000
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2011	4,258,000
Total	4,795,000

Save as disclosed above, the Group did not engage KPMG for any other services during 2011 and up to the date of this report.

Remuneration Committee

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

It establishes and supervises a formal and transparent procedure for setting the Company's remuneration policies, including determining and reviewing the remuneration packages of Directors and senior management.

In 2011 and up to the date of this report, the Remuneration Committee had, amongst others:

- reviewed and revised the Director and Senior Management Remuneration Policy of the Company;
- having consulted the Chairman of the Board, reviewed and made recommendations to the Board the remuneration packages of the Directors (except the members of the Remuneration Committee).

Nomination Committee

During the year, the Nomination Committee is chaired by Mr. Jin Yongsheng, a Non-executive Director. Its other members are Mr. Wong Chun Ho and Mr. Zhang Xueqian, both are Independent Non-executive Directors. On 29 February 2012, Mr. Jin Yongsheng has ceased to be the chairman and a member of the committee, and Mr. Zhao Qingsheng, the chairman of the Board, has been appointed as the chairman and a member of the committee.

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

In 2011 and up to the date of this report, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- considered the need for identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of Independent Non-executive Directors; and
- 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.

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, price-sensitive announcements 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.

The accounting and finance department of the Company, headed by the financial controller of the Group, is specifically responsible for the accounting and financial reporting functions of the Group and for coordinating and supervising the relevant departments of all the operating subsidiaries of the Company. A majority of the staff of such departments possess academic qualifications and extensive working experience in accounting and financial reporting. The Group provides continuous 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 35. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 48.

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 charged with the responsibility to establish and implement an internal control system.

The Board, 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 internal review report 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.

Accountability and Audit *(Continued)*

Internal controls *(Continued)*

Regarding the dissemination of price sensitive information, the Company has procedures in place to monitor the communication and reporting of such information and make immediate announcements pursuant to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange in 2002. Only the Directors and designated employees of the Company are authorised to respond to external enquiries in allocated areas of issues. Directors and relevant employees (as defined in the Listing Rules) of the Group are required to follow the 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 2011.

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.

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

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

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

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

Shareholders' rights

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

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

Pursuant to article 58 of the Articles, any shareholder(s) (at the date of deposit of requisition holding not less than 10% of the paid up capital of the Company carrying voting right at a general meeting) can require an EGM by sending a written requisition together with the proposed agenda items to the Board or the Company Secretary. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by him/them therefrom can be reimbursed by the Company.

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

Shareholders' enquiries

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

Shareholders 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 2011

In 2011, the Company held one AGM and one EGM.

The most recent general meeting was the EGM held on 8 February 2012 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. One resolution was proposed in the meeting and 100% of votes were cast in favour of the resolution. The proposed resolution was therefore passed as an ordinary resolution of the Company. Extract of the resolution was the approval of the continuing connected transactions contemplated under the master procurement of spare parts agreement entered into with CIMC.

Full text of the above resolution is set out in the notice of EGM of the Company dated 19 January 2012. The poll results of the EGM have been published on the websites of the Stock Exchange and the Company.

Communication with Shareholders *(Continued)*

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 Articles of Association

During the year ended 31 December 2011, no amendments were made to the Articles.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2012

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the Group are the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements.

Financial Statements

The Directors acknowledge that it is their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's profit or loss for the year then ended. In preparation of the financial statements, the Directors are required to:

(a) select appropriate accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;

(b) explain any significant departure from accounting standards; and

(c) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for employing reasonable procedures to prevent and detect fraud and other irregularities.

The profit of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at such date are set out in the financial statements on pages 49 to 121.

Dividends and Reserves

The Directors are pleased to propose a final dividend in respect of 2011 of HK6.00 cents per ordinary share and HK6.00 cents per non-redeemable convertible preference share, subject to the approval of shareholders in the forthcoming annual general meeting to be held on Friday, 18 May 2012.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 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 2011 is as follows:

	Percentage of the Group's total	
	sales	**purchases**
The largest customer	6.9%	–
Five largest customers in aggregate	24.7%	–
The largest supplier	–	8.8%
Five largest suppliers in aggregate	–	31.9%

Note:

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 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 36 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB569,000 (2010: RMB159,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2011 are set out in note 27 to the financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

Directors

At the date of this report, the Board comprised:

Executive Directors

Mr. Zhao Qingsheng *(Chairman)*
Mr. Gao Xiang *(General Manager)*
Mr. Jin Jianlong
Mr. Yu Yuqun

Non-executive Directors

Mr. Jin Yongsheng
Mr. Petrus Gerardus Maria van der Burg

Independent Non-executive Directors

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

At the forthcoming AGM, Messrs. Gao Xiang, Jin Yongsheng and Wong Chun Ho will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
Zhao Qingsheng	Beneficial owner	Ordinary	214,000	0.02%
Jin Yongsheng	Beneficial owner	Ordinary	246,000	0.03%
Mr. van der Burg	Interest of controlled corporation	Ordinary	103,905,085 *(Note 2)*	12.12%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2011, which was 857,452,201.

2. These 103,905,085 ordinary shares are held by PGM, which is controlled by Mr. van der Burg.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009 and 28 October 2011 under a share option scheme approved by the shareholders on 12 July 2006 (the "Share Option Scheme" or the "Scheme"). Details of which were set out under the section headed "Share Options" on pages 40 to 42.

Directors' Interests in Shares *(Continued)*

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares held	Shareholding %
CIMC Vehicle Group	Zhao Qingsheng	Beneficiary of a trust *(Note 1)*	3,000,000	1.36% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,000,000	0.45% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
CIMC	Zhao Qingsheng	Beneficial owner *(Note 3)*	1,500,000	0.06% *(Note 4)*
	Gao Xiang	Beneficial owner *(Note 3)*	500,000	0.02% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,700,000 units, of which 181,325,000 units were allocated as at 31 December 2011. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,000,000 units, 1,000,000 units, 2,000,000 units and 2,000,000 units allocated respectively. CIMC Vehicle Group holds as to 100% of CIMC Vehicle. Hence, Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu are deemed to be interested in the relevant class of shares of the Company held by CIMC Vehicle as a beneficiary of a trust.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 31 December 2011, which was 220,700,000.

3. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB12.39 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC in issue as at 31 December 2011, which was 2,662,396,051.

Save as disclosed above, as at 31 December 2011, 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 2011, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2011, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
CIMC	Interest of controlled corporation	Ordinary	485,250,116 *(Note 2)*	56.59%
	Interest of controlled corporation	Preference	1,015,641,321 *(Note 3)*	100%
CIMC HK	Interest of controlled corporation	Ordinary	190,703,000 *(Note 4)*	22.24%
	Beneficial owner	Ordinary	254,405,490	29.67%
	Beneficial owner	Preference	877,227,155	86.37%
Charm Wise	Beneficial owner	Ordinary	190,703,000 *(Note 4)*	22.24%
PGM	Beneficial owner	Ordinary	103,905,085	12.12%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 31 December 2011, which were 857,452,201 and 1,015,641,321 respectively. The preference shares are convertible into ordinary shares on one-on-one basis. Generally, the holders of preference shares shall not be entitled to vote at general meetings of the Company except for certain situations set out in the Articles.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 254,405,490 ordinary shares held by CIMC HK and 40,141,626 ordinary shares held by CIMC Vehicle. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC, and CIMC Vehicle is controlled by CIMC as to 80%.

3. These preference shares refer to the 877,227,155 preference shares held by CIMC HK and 138,414,166 preference shares held by CIMC Vehicle. CIMC HK is wholly owned by CIMC and CIMC Vehicle is controlled by CIMC as to 80%.

4. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is directly held by CIMC HK as to 100%.

Save as disclosed above, as at 31 December 2011, (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 3,250,000 number of options were lapsed as at 31 December 2011.

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.

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

Share Options *(Continued)*

During the year ended 31 December 2011, movements of the options under the Scheme were as follows:

			Number of share options				
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2011	granted during the year	exercised during the year	lapsed during the year	outstanding at 31 December 2011
Directors							
Zhao Qingsheng	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	–	450,000	–	–	450,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	–	500,000	–	–	500,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
Mr. van der Burg	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	–	400,000	–	–	400,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013 – 27/10/2021	–	300,000	–	–	300,000
			5,600,000	3,150,000	–	–	8,750,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	26,425,000	–	–	(875,000)	25,550,000
	28/10/2011	28/10/2013 – 27/10/2021	–	31,750,000	–	–	31,750,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	9,350,000	–	–	–	9,350,000
	28/10/2011	28/10/2013 – 27/10/2021	–	3,300,000	–	–	3,300,000
Total			41,375,000	38,200,000	–	(875,000)	78,700,000

Share Options *(Continued)*

Notes:

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

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

   The exercise price of all the options granted is HKD4.00 per share. The closing price per share immediately before the date of grant was HKD4.00. The valuation of fair value of the options granted was measured based on a binomial option pricing model. The fair value per share on the date of grant was HKD1.64.

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

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

   The exercise price of all the options granted is HKD2.48 per share. The closing price per share immediately before the date of grant was HKD2.48. The valuation of fair value of the options granted was measured based on a binomial option pricing model. The fair value per share on the date of grant was HKD1.02.

3. The accounting policy adopted for the above options granted was set out in note 1(t)(ii) and note 30 to the financial statements.

As at the date of this report, a total of 48,315,220 number of options, representing 5.63% 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 127,015,220 shares, representing 14.81% 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 2011.

Directors' Interests in Competing Business

At the date of this report, the following Directors were interested in the following businesses apart from the Group's business, which competes or may compete, either directly or indirectly, with the Group's business:

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

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

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

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

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

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

Connected Transactions and Interests in Contracts

Connected transactions and continuing connected transactions subject to annual review

During the year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review:

On 14 August 2009, the Group entered into two master supply of spare parts agreements respectively with CIMC *(Note 1)* for the provision of spare parts by the CIMC Group, and with Burg Industries B.V. ("Burg Industries") *(Note 2)* for the provision of spare parts by Burg Industries and its subsidiaries and associates (the "Burg Industries Group"), both for a term from 14 August 2009 to 31 December 2011. During the year, the Group's total purchase from CIMC Group and Burg Industries Group amounted to RMB194,920,000.

On 14 August 2009, the Group entered into a master processing services agreement with CIMC for the provision of processing services, site leasing and other related services by the CIMC Group, for a term from 14 August 2009 to 31 December 2011. During the year, the service charge incurred was RMB10,900,000.

On 14 August 2009, the Group entered into a master comprehensive services agreement with CIMC for the provision of comprehensive services (including staff catering and medical expenses) and miscellaneous general services by the CIMC Group, for a term from 14 August 2009 to 31 December 2011. During the year, the service charge incurred was RMB2,579,000.

On 14 August 2009, Holvrieka Holding B.V. ("Holvrieka Holding", a wholly-owned subsidiary of the Company) entered into a management agreement with Burg Industries for the provision of management services by the Burg Industries Group to Holvrieka Holding and its subsidiaries, for a term from 14 August 2009 to 31 December 2011. During the year, the service charge incurred was RMB3,294,000.

On 19 March 2009, Holvrieka Holding entered into a technology licence agreement with CIMC Tank Equipment Investment Holdings Co., Ltd. ("CIMC Tank Equipment"), for granting to CIMC Tank Equipment and its affiliates a non-exclusive licence to use the know-how and trademarks of Holvrieka Holding in respect of the design, manufacturing and sale of tank and related parts in China, for a term from 19 March 2009 to 19 March 2012. During the year, the licence fee income recognised by the Group was RMB6,754,000.

On 22 December 2010, the Group 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 2011 to 31 December 2013. During the year, the Group's sale to CIMC Group was RMB266,453,000.

On 22 December 2010, the Group entered into a services agreement with CIMC under which the Group agreed to provide services, including but not limited to welding, heat treatment and testing, and other related services to the CIMC Group, for a term of three years from 1 January 2011 to 31 December 2013. During the year, the service income recognised by the Group was RMB21,290,000.

On 30 December 2011, the Company entered into the office services agreement with CIMC, whereby the Group agreed to provide office services, including but not limited to staff catering, transportation services, leasing of office premises and other sites, and miscellaneous general office services to the CIMC Group, for the period commencing from 1 January 2011 up to and including 31 December 2011. During the year, the office service income recognised by the Group was RMB10,786,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

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

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

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

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

The Company's auditor was engaged to report on the above transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rules 14A.38. The auditor has the following conclusions in his 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 3 June 2009, 28 December 2009, 22 December 2010 and 30 December 2011 made by the Company in respect of each of the disclosed continuing connected transactions.

Other connected transactions

During the year, the Group entered into the following connected transactions which were not exempt under Rule 14A.31 of the Listing Rules:

On 30 November 2011, Nantong Tank, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CIMC Vehicle Group *(Note 3)* for the acquisition of the 75% equity interest in Nantong Transport for a consideration of RMB50,600,250.

On 30 November 2011, Nantong Tank entered into another equity transfer agreement with CIMC Tank Equipment *(Note 3)* for the acquisition of the 25% equity interest in Nantong Transport for a consideration of USD2,500,000 (equivalent to approximately RMB15,892,500).

Connected Transactions and Interests in Contracts *(Continued)*

Interests in contracts of significance

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

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

Notes:

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

2. Burg Industries is a wholly-owned subsidiary of CIMC Burg B.V., which, in turn, is ultimately owned as to 80% by CIMC and as to 20% by PGM, a substantial shareholder of the Company.

3. CIMC holds CIMC Vehicle Group and CIMC Tank Equipment as to 80% and 100% respectively.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code in their securities transactions throughout the year ended 31 December 2011.

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 complied with all the code provisions of the CG Code throughout 2011.

The Company's corporate governance report is set out on pages 22 to 34. 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 2011.

Closure of Register of Members

To ascertain shareholders' entitlements to the proposed final dividend, the register of members of the Company will be closed from Thursday, 24 May 2012 to Friday, 25 May 2012 (both days inclusive). In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716,17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 23 May 2012.

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 KPMG, who will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 19 March 2012

Independent Auditor's Report

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

We have audited the consolidated financial statements of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 49 to 121, which comprise the consolidated and company balance sheet as at 31 December 2011, 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	3 &12	**6,716,034**	3,998,617
Cost of sales		**(5,450,881)**	(3,249,521)
Gross profit		**1,265,153**	749,096
Change in fair value of derivative financial instruments		**2,317**	741
Other revenue	4	**128,127**	123,758
Other net income/(expenses)	4	**1,380**	(6,348)
Selling expenses		**(198,976)**	(153,265)
Administrative expenses		**(465,374)**	(336,284)
Profit from operations		**732,627**	377,698
Finance costs	5(a)	**(10,733)**	(11,697)
Profit before taxation	5	**721,894**	366,001
Income tax	6	**(147,303)**	(83,589)
Profit for the year		**574,591**	282,412
Attributable to:			
Equity shareholders of the Company		**567,060**	276,901
Non-controlling interests		**7,531**	5,511
Profit for the year		**574,591**	282,412
Earnings per share	11		
– Basic		**RMB0.303**	RMB0.148
– Diluted		**RMB0.303**	RMB0.148

The notes on pages 57 to 121 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 10.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**574,591**	282,412
Other comprehensive income for the year		
Exchange difference on translation of financial statements denominated in foreign currency	**(37,970)**	(83,158)
Total comprehensive income for the year	**536,621**	199,254
Attributable to:		
Equity shareholders of the Company	**529,090**	193,743
Non-controlling interests	**7,531**	5,511
Total comprehensive income for the year	**536,621**	199,254

The notes on pages 57 to 121 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	**992,966**	961,691
Construction in progress	14	**274,753**	65,439
Lease prepayments	15	**258,061**	194,119
Intangible assets	16	**33,593**	42,074
Prepayments	17	**118,137**	24,019
Goodwill	19	**42,783**	42,783
Other financial assets	20	**59**	1,744
Deferred tax assets	32(b)	**39,254**	28,926
		1,759,606	1,360,795
Current assets			
Derivative financial instruments	21	**3,041**	724
Inventories	22	**2,018,306**	1,324,741
Trade and bill receivables	23	**1,353,258**	878,630
Deposits, other receivables and prepayments	24	**433,772**	310,006
Amounts due from related parties	38(b)	**26,039**	32,471
Cash at bank and in hand	26	**1,060,996**	941,109
		4,895,412	3,487,681
Current liabilities			
Bank loans and overdrafts	27	**301,139**	99,699
Trade and bill payables	28	**1,293,347**	872,040
Other payables and accrued expenses	29	**1,146,214**	712,414
Amounts due to related parties	38(b)	**49,696**	56,943
Provisions	31	**20,062**	29,240
Income tax payable	32(a)	**19,803**	22,585
Employee benefit liabilities	34	**61**	228
		2,830,322	1,793,149
Net current assets		**2,065,090**	1,694,532
Total assets less current liabilities		**3,824,696**	3,055,327

The notes on pages 57 to 121 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Bank loans	27	**194,568**	21,980
Provisions	31	**29,952**	15,966
Deferred tax liabilities	32(b)	**99,097**	98,471
Deferred income	33	**138,132**	102,334
Employee benefit liabilities	34	**1,602**	1,933
		463,351	240,684
NET ASSETS		**3,361,345**	2,814,643
CAPITAL AND RESERVES			
Share capital	35(b)	**17,235**	17,235
Reserves		**3,323,897**	2,782,570
Equity attributable to equity shareholders of the Company		**3,341,132**	2,799,805
Non-controlling interests		**20,213**	14,838
TOTAL EQUITY		**3,361,345**	2,814,643

Approved and authorised for issue by the Board of Directors on 19 March 2012.

Zhao Qingsheng
Director

Jin Jianlong
Director

The notes on pages 57 to 121 form part of these financial statements.

Balance Sheet

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	**–**	909
Investments in subsidiaries	18	**4,273,541**	4,468,583
		4,273,541	4,469,492
Current assets			
Other receivables		**20**	1,082
Amounts due from subsidiaries	39	**290,682**	217,245
Amounts due from a related party		**–**	73
Cash at bank and in hand	26	**146,873**	385
		437,575	218,785
Current liabilities			
Bank loans	27	**48,642**	–
Other payables and accrued expenses		**4,114**	770
Amounts due to subsidiaries	39	**32,676**	22,124
		85,432	22,894
Net current assets		**352,143**	195,891
Total assets less current liabilities		**4,625,684**	4,665,383
Non-current liabilities			
Bank loans	27	**194,568**	–
		194,568	–
NET ASSETS		**4,431,116**	4,665,383
Capital and reserves	35		
Share capital		**17,235**	17,235
Reserves		**4,413,881**	4,648,148
TOTAL EQUITY		**4,431,116**	4,665,383

Approved and authorised for issue by the Board of Directors on 19 March 2012.

Zhao Qingsheng *Director*	**Jin Jianlong** *Director*

The notes on pages 57 to 121 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 35(b)	Share premium RMB'000 35(c)(i)	Contributed surplus RMB'000 35(c)(ii)	Capital reserve RMB'000 35(c)(iii)	Exchange reserve RMB'000 35(c)(iv)	General reserve fund RMB'000 35(c)(v)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	17,235	287,517	807,206	6,620	(113,957)	66,898	1,494,646	2,566,165	9,327	2,575,492
Profit for the year	–	–	–	–	–	–	276,901	276,901	5,511	282,412
Other comprehensive income	–	–	–	–	(83,158)	–	–	(83,158)	–	(83,158)
Total comprehensive income	–	–	–	–	(83,158)	–	276,901	193,743	5,511	199,254
Equity-settled share-based transactions	–	–	–	39,897	–	–	–	39,897	–	39,897
Transfer to general reserve	–	–	–	–	–	21,201	(21,201)	–	–	–
At 31 December 2010	17,235	287,517	807,206	46,517	(197,115)	88,099	1,750,346	2,799,805	14,838	2,814,643
At 1 January 2011	17,235	287,517	807,206	46,517	(197,115)	88,099	1,750,346	2,799,805	14,838	2,814,643
Profit for the year	–	–	–	–	–	–	567,060	567,060	7,531	574,591
Other comprehensive income	–	–	–	–	(37,970)	–	–	(37,970)	–	(37,970)
Total comprehensive income	–	–	–	–	(37,970)	–	567,060	529,090	7,531	536,621
Equity-settled share-based transactions	–	–	–	13,681	–	–	–	13,681	–	13,681
Acquisition of non-controlling interests (note 42)	–	–	–	–	–	–	(1,444)	(1,444)	(2,156)	(3,600)
Transfer to general reserve	–	–	–	–	–	69,050	(69,050)	–	–	–
At 31 December 2011	17,235	287,517	807,206	60,198	(235,085)	157,149	2,246,912	3,341,132	20,213	3,361,345

The notes on pages 57 to 121 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation		**721,894**	366,001
Adjustments for:			
Depreciation and amortisation		**113,239**	107,101
Change in fair value of derivative financial instruments		**(2,317)**	(741)
Interest income	4	**(17,012)**	(14,848)
Interest charges	5(a)	**11,468**	11,990
Net loss on disposal of property, plant and equipment	4	**1,107**	421
Net loss on disposal of intangible assets	4	**–**	1,829
Equity-settled share-based payment expenses	5(b)	**13,681**	39,897
Foreign exchange gain	5(a)	**(4,173)**	(1,638)
Operating profit before changes in working capital		**837,887**	510,012
Increase in inventories		**(693,565)**	(418,742)
(Increase)/decrease in trade and bill receivables		**(472,669)**	27,762
Increase in deposits, other receivables and prepayments		**(123,464)**	(67,734)
Decrease/(increase) in amounts due from related parties		**6,432**	(19,861)
Decrease/(increase) in restricted bank deposits		**31,137**	(40,137)
Increase in trade and bill payables		**421,307**	220,157
Increase in other payables and accrued expenses		**433,800**	176,287
(Decrease)/increase in amounts due to related parties		**(7,247)**	9,601
Decrease in employee benefit liabilities		**(498)**	(387)
Increase/(decrease) in deferred income		**35,798**	(6,678)
Increase in provisions		**5,213**	4,144
Cash generated from operations		**474,131**	394,424
Income tax paid	32(a)	**(156,536)**	(88,727)
Net cash from operating activities		**317,595**	305,697

The notes on pages 57 to 121 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(330,407)**	(137,880)
Payment for lease prepayments		**(69,144)**	(93)
Payment for acquisition of intangible assets		**(1,716)**	(1,090)
Payment of deposits for lease prepayments		**(56,362)**	(23,829)
Proceeds from disposal of property, plant and equipment		**547**	1,870
Proceeds from sale of held-to-maturity debt securities		**1,685**	3,945
Prepayment for equity investment	17	**(61,775)**	–
Acquisition of non-controlling interests	42	**(3,600)**	–
Interest received		**17,012**	14,848
Net cash used in investing activities		**(503,760)**	(142,229)
Financing activities			
Proceeds from new bank loans		**1,162,958**	39,769
Repayment of bank loans		**(774,534)**	(117,584)
Interest paid		**(11,468)**	(11,990)
Payment for settlement of derivatives		**–**	(205)
Net cash generated from/(used in) financing activities		**376,956**	(90,010)
Net increase in cash and cash equivalents		**190,791**	73,458
Cash and cash equivalents at 1 January		**805,686**	783,697
Effect of foreign exchange rate changes		**(25,371)**	(51,469)
Cash and cash equivalents at 31 December		**971,106**	805,686

The notes on pages 57 to 121 form part of these financial statements.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2011 comprise CIMC Enric Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and are expressed in Renminbi unless otherwise indicated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale or as trading securities (see note 1(f)); and

– derivative financial instruments (see note 1(g)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Since 1 January 2011, the functional currency of the Company's subsidiary in Nantong ("Nantong Tank") has been changed from US Dollar ("USD") to Renminbi ("RMB") due to RMB has become the currency of primary economic environment in which Nantong Tank operates since then. The effect of the change in the functional currency of Nantong Tank has been accounted for prospectively. All opening balances of Nantong Tank have been translated into RMB at the rate of USD 1 to RMB 6.5897, being the exchange rate prevailing at 1 January 2011, the date on which the change of functional currency was made effective.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 40 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(p), (q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investments in debt and equity securities

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

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

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in income statement. Dividend income from these investments is recognised in income statement in accordance with the policy set out in note 1(w)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in income statement in accordance with the policy set out in note 1(w)(vi). When these investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss is reclassified from equity to income statement.

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

(g) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

(ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 30 years
Leasehold improvements	2 to 5 years
Machinery	3 to 12 years
Motor vehicles	3 to 6 years
Office equipment	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iii) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 1(l)). Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

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

No depreciation is provided for construction in progress.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives of 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Lease prepayments

Lease prepayments represent payments for land use rights to the People's Republic of China ("PRC") authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

(k) *Operating lease charges*

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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

  Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

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

– 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

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

– 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 1(l)(i) and (ii)).

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

(m) Inventories

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Project engineering contracts

Project engineering contracts are contracts specifically negotiated with a customer for the engineering design or the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(w)(ii). When the outcome of a project engineering contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a project engineering contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Project engineering contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and bill receivables". Amounts received before the related work is performed are presented as "Advances received" under "Other payables and accrued expenses".

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

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

(q) Preference share capital

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

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 1(p) and accordingly dividends thereon are recognised on an accruals basis in the income statement as part of finance costs.

(r) Trade and other payables

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Cash and cash equivalents

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

(t) Employee benefits

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(ii) Share-based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Jubilee benefits

Jubilee benefits ascribed to past service are calculated and added to the staff remuneration provision. Changes in the provision are recognised in the income statement.

(u) Income tax

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

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

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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.

(v) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition

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

(i) Sale of goods

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

(ii) Contract revenue

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

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

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

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

(iii) Services

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal installments 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.

(v) Dividends

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

(vi) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(vii) Government grants

Unconditional government grants are recognised in the income statement as income when the grants become receivable.

Other government grants are presented initially in the balance sheet and shall be recognised in the income statement when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants. Grants related to the subsidy of acquiring assets are presented as deferred income in the balance sheet and are recognised in the income statement on a systematic and rational basis over the useful lives of the assets. Grants related to compensating expenses are recognised in the income statement on a systematic and rational basis in the same period as those expenses are charged in the income statement and are deducted in reporting the related expenses.

(x) Translation of foreign currencies

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

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

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(y) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

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

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Notes 19, 30 and 40 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments.

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

Certain critical accounting judgements in applying the Group's accounting policies are described below.

(i) Impairment

In considering the impairment losses that may be required for certain of the Group's assets which include goodwill, property, plant and equipment, construction in progress, intangible assets and lease prepayments (see note 1(l)) the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows need to be determined. One of the key assumptions that has to be applied is the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(ii) Depreciation

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

(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 1(n) and (w)(ii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the project engineering contract, as well as the work done to date. Based on the Group's recent experience and the nature of the project engineering activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 25 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.

3 TURNOVER

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

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

	2011 RMB'000	2010 RMB'000
Sales of goods	**6,025,955**	3,461,555
Revenue from project engineering contracts	**690,079**	537,062
	6,716,034	3,998,617

4 OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

		2011 RMB'000	2010 RMB'000
Other revenue			
Government grants	(i)	**17,903**	23,837
Other operating revenue	(ii)	**93,212**	84,818
Interest income from bank deposits		**17,012**	14,848
Others		**–**	255
		128,127	123,758

(i) Government grants represent various forms of incentives and subsidies given to subsidiaries by the PRC government, and the recognition of deferred government grants as set out in note 33.

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

	2011 RMB'000	2010 RMB'000
Other net income/(expenses)		
Net loss on disposal of property, plant and equipment	**(1,107)**	(421)
Net loss on disposal of intangible assets	**–**	(1,829)
Charitable donations	**(569)**	(159)
Other net income/(expenses)	**3,056**	(3,939)
	1,380	(6,348)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2011 RMB'000	2010 RMB'000
Interest on bank loans and other borrowings	**11,468**	11,990
Foreign exchange gain	**(4,173)**	(1,638)
Bank charges	**3,438**	1,345
	10,733	11,697

(b) Staff costs [i]

	2011 RMB'000	2010 RMB'000
Salaries, wages and allowances	**681,628**	450,478
Contributions to retirement schemes (note 36)	**40,770**	33,954
Equity-settled share-based payment expenses (note 30)	**13,681**	39,897
	736,079	524,329

(c) Other items

	2011 RMB'000	2010 RMB'000
Cost of inventories [i]	**4,833,313**	2,794,101
Auditors' remuneration	**4,795**	5,188
Depreciation of property, plant and equipment [i]	**99,754**	94,095
Amortisation of intangible assets	**8,283**	8,734
Amortisation of lease prepayments	**5,202**	4,272
Net reversal of impairment provision for trade receivables	**(779)**	(10,846)
Impairment losses for other receivables	**–**	511
Write-down of inventories	**14,292**	22,408
Reversal of write-down of inventories	**(4,883)**	(34,421)
Research and development costs	**82,192**	72,022
Operating lease charges for property rental	**4,223**	4,265
Provision for product warranties	**21,145**	17,032

(i) Cost of inventories includes RMB306,839,000 (2010: RMB210,045,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax		
Provision for the year	**155,568**	76,254
Over-provision in respect of prior years	**(2,168)**	(1,923)
	153,400	74,331
Deferred tax		
Reversal and origination of temporary differences	**(6,097)**	9,258
	147,303	83,589

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years. Profits of the Group's operating subsidiaries are subject to income tax in the respective tax jurisdictions.

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

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from state income tax for the first two years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in state income tax rate for the following three years.

Pursuant to the relevant laws and regulations in the PRC, the Company's certain subsidiaries in the PRC are entitled to a preferential tax treatment applicable to advanced and new technology enterprises and are subject to income tax rate at 15%.

During the year ended 31 December 2011, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and preferential tax treatment, and accordingly the Company's subsidiaries in PRC were subject to income tax at 15% to 25% (2010: 12.5% to 25%).

Pursuant to the Tax Law and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2011, deferred tax liability recognised in this regard was RMB45,422,000 (2010: RMB36,480,000) (see note 32(b)).

Taxation of Dutch subsidiaries, Belgian subsidiary and Danish subsidiary are charged at the current rates of 25%, 33.99% and 25% respectively ruling in the relevant countries and are calculated on a stand-alone basis.

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

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**721,894**	366,001
Notional tax on profit before taxation, calculated at the applicable rates	**198,291**	110,042
Effect of tax concessions	**(80,777)**	(34,434)
Tax effect of non-taxable income	**(1,145)**	(1,427)
Tax effect of non-deductible expenses	**3,158**	1,305
Tax effect of unused tax losses not recognised	**8,083**	1,738
Deferred tax charge on distributable profits	**8,942**	9,240
Over-provision in prior years	**(2,168)**	(1,923)
Utilisation of tax losses	**–**	(952)
PRC dividend withholding tax	**12,919**	–
Actual tax expense	**147,303**	83,589

7 DIRECTORS' REMUNERATION

Details of directors' remuneration for the year ended 31 December 2011 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments RMB'000 (iii)	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	320	320
Executive Directors:							
Gao Xiang	–	744	9	460	1,213	323	1,536
Jin Jianlong	–	–	–	–	–	253	253
Yu Yuqun	75	–	–	–	75	253	328
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	164	164
Petrus Gerardus Maria van der Burg	–	–	–	–	–	317	317
Independent Non-executive Directors:							
Tsui Kei Pang	137	–	–	–	137	17	154
Wong Chun Ho	137	–	–	–	137	164	301
Zhang Xueqian	135	–	–	–	135	17	152
	484	744	9	460	1,697	1,828	3,525

7 DIRECTORS' REMUNERATION *(Continued)*

Details of directors' remuneration for the year ended 31 December 2010 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 (iii)	Total RMB'000
Chairman:							
Zhao Qingsheng	–	–	–	–	–	971	971
Executive Directors:							
Gao Xiang	–	737	8	–	745	971	1,716
Jin Jianlong	–	–	–	–	–	777	777
Yu Yuqun	–	–	–	–	–	777	777
Non-executive Directors:							
Jin Yongsheng	–	–	–	–	–	485	485
Petrus Gerardus Maria van der Burg	–	–	–	–	–	971	971
Independent Non-executive Directors:							
Gao Zhengping (i)	78	–	–	–	78	–	78
Tsui Kei Pang	104	–	–	–	104	–	104
Wong Chun Ho	104	–	–	–	104	485	589
Zhang Xueqian (ii)	25	–	–	–	25	–	25
	311	737	8	–	1,056	5,437	6,493

(i) Resigned on 30 September 2010.

(ii) Appointed on 30 September 2010.

(iii) 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 1(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

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 30.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five (2010: five) individuals with the highest emoluments are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	**5,263**	6,213
Bonuses	**1,438**	–
Share-based payments	**877**	1,561
Retirement scheme contributions	**82**	187
	7,660	7,961

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil – HKD1,000,000	**–**	1
HKD1,000,001 – HKD1,500,000	**2**	2
HKD1,500,001 – HKD2,000,000	**2**	1
HKD2,000,001 – HKD2,500,000	**–**	–
HKD2,500,001 – HKD3,000,000	**–**	–
HKD3,000,001 – HKD3,500,000	**1**	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB42,686,000 (2010: RMB65,458,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

A final dividend in respect of 2011 of HK6.00 cents (equivalent to approximately RMB4.88 cents) per ordinary share and HK6.00 cents (equivalent to approximately RMB4.88 cents) per non-redeemable convertible preference share has been proposed by the Directors. The proposed final dividend in respect of 2011 is subject to the approval of shareholders in the forthcoming annual general meeting.

The final dividend in respect of 2011 was proposed after the balance sheet date and accordingly has not been recognised as a liability at the balance sheet date.

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:

	2011 RMB'000	2010 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**567,060**	276,901

	2011	2010
Number of shares		
Weighted average number of ordinary shares at 31 December	**857,452,201**	857,452,201
Weighted average number of non-redeemable convertible preference shares	**1,015,641,321**	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	**1,873,093,522**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (note 30)	**–**	1,700,818
Weighted average number of shares for the purpose of diluted earnings per share	**1,873,093,522**	1,874,794,340

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. The operating segments with similar economic characteristics have been aggregated to form the following reportable segments.

- Energy equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors.

- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.

- Liquid food equipment: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include non-current assets and current assets with the exception of deferred tax assets and certain assets unallocated to an individual reportable segment. Segment liabilities include non-current liabilities and current liabilities with the exception of income tax payable, deferred tax liabilities and certain liabilities unallocated to an individual reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at adjusted profit from operations the Group's profits are further adjusted for items not specifically attributed to an individual reportable segment, such as directors' remuneration, auditors' remuneration and other head office or corporate administrative expenses.

In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue (including inter-segment sales), interest income from bank deposits, interest expenses, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

12 SEGMENT REPORTING *(Continued)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Revenue from external customers	**3,268,406**	2,391,970	**2,874,670**	1,198,268	**572,958**	408,379	**6,716,034**	3,998,617
Inter-segment revenue	**178**	12	**–**	–	**–**	–	**178**	12
Reportable segment revenue	**3,268,584**	2,391,982	**2,874,670**	1,198,268	**572,958**	408,379	**6,716,212**	3,998,629
Reportable segment profit (adjusted profit from operations)	**512,626**	302,991	**328,412**	134,382	**11,541**	22,865	**852,579**	460,238
Interest income from bank deposits	**4,418**	4,655	**5,187**	1,823	**7,217**	8,352	**16,822**	14,830
Interest expense	**(878)**	(2,443)	**(7,954)**	(2,691)	**(155)**	(6,058)	**(8,987)**	(11,192)
Depreciation and amortisation for the year	**(60,895)**	(55,239)	**(22,559)**	(21,235)	**(29,785)**	(30,626)	**(113,239)**	(107,100)
Reportable segment assets	**3,736,888**	2,773,595	**1,928,550**	1,332,063	**609,964**	679,813	**6,275,402**	4,785,471
Additions to non-current segment assets during the year	**419,184**	188,120	**62,141**	11,113	**5,716**	259	**487,041**	199,492
Reportable segment liabilities	**1,819,977**	1,195,906	**933,826**	489,848	**143,361**	161,748	**2,897,164**	1,847,502

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

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue	**6,716,212**	3,998,629
Elimination of inter-segment revenue	**(178)**	(12)
Consolidated turnover	**6,716,034**	3,998,617

12 SEGMENT REPORTING *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Profit		
Reportable segment profit	**852,579**	460,238
Elimination of inter-segment profit	**(3,773)**	(2,270)
Reportable segment profit derived from Group's external customers	**848,806**	457,968
Finance costs	**(10,733)**	(11,697)
Unallocated operating income and expenses	**(116,179)**	(80,270)
Consolidated profit before taxation	**721,894**	366,001

	2011 RMB'000	2010 RMB'000
Assets		
Reportable segment assets	**6,275,402**	4,785,471
Elimination of inter-segment receivables	**(65,029)**	(7,234)
	6,210,373	4,778,237
Deferred tax assets	**39,254**	28,926
Unallocated assets	**405,391**	41,313
Consolidated total assets	**6,655,018**	4,848,476

	2011 RMB'000	2010 RMB'000
Liabilities		
Reportable segment liabilities	**2,897,164**	1,847,502
Elimination of inter-segment payables	**(65,029)**	(7,234)
	2,832,135	1,840,268
Income tax liabilities	**19,803**	22,585
Deferred tax liabilities	**99,097**	98,471
Unallocated liabilities	**342,638**	72,509
Consolidated total liabilities	**3,293,673**	2,033,833

12 SEGMENT REPORTING *(Continued)*

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, construction in progress, lease prepayments, prepayments, and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		Specified non-current assets	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
PRC (place of domicile)	**3,408,982**	2,430,364	**1,495,090**	1,099,318
United States	**856,565**	432,732	**–**	–
Norway	**405,200**	44,992	**–**	–
Britain	**171,683**	183,914	**–**	–
France	**244,648**	82,178	**–**	–
Japan	**276,582**	40,925	**–**	–
Singapore	**218,095**	61,421	**–**	–
Other European countries	**425,327**	318,417	**191,163**	229,472
Other Asian countries	**394,504**	247,533	**–**	–
Other American countries	**227,867**	90,988	**–**	–
Other countries	**86,581**	65,153	**–**	–
	3,307,052	1,568,253	**191,163**	229,472
	6,716,034	3,998,617	**1,686,253**	1,328,790

For the year ended 31 December 2011, there was no single external customer that accounted for 10% or more of the Group's total turnover (2010: Nil).

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	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 2010	645,656	1,653	638,395	43,466	102,109	1,431,279
Reclassification	–	–	(8,713)	912	7,801	–
Additions	174	85	26,804	2,250	5,487	34,800
Disposals	(1,318)	–	(1,303)	(2,940)	(334)	(5,895)
Transfers from construction in progress	91,310	–	74,468	3,376	2,683	171,837
Exchange adjustment	(33,609)	–	(32,657)	(1,903)	(4,519)	(72,688)
At 31 December 2010	702,213	1,738	696,994	45,161	113,227	1,559,333
At 1 January 2011	702,213	1,738	696,994	45,161	113,227	1,559,333
Reclassification	–	–	(552)	566	(14)	–
Additions	1,794	–	18,221	5,108	5,290	30,413
Disposals	(412)	–	(2,835)	(4,167)	(1,417)	(8,831)
Transfers from construction in progress	71,195	–	29,826	4,402	9,281	114,704
Exchange adjustment	(18,225)	–	(17,347)	(1,067)	(2,777)	(39,416)
At 31 December 2011	**756,565**	**1,738**	**724,307**	**50,003**	**123,590**	**1,656,203**
Accumulated depreciation:						
At 1 January 2010	(140,300)	(293)	(311,016)	(28,223)	(66,515)	(546,347)
Reclassification	–	–	2,600	(367)	(2,233)	–
Charge for the year	(24,991)	(241)	(50,958)	(6,538)	(11,367)	(94,095)
Written back on disposals	–	–	903	2,391	310	3,604
Exchange adjustment	10,233	–	23,315	1,582	4,066	39,196
At 31 December 2010	(155,058)	(534)	(335,156)	(31,155)	(75,739)	(597,642)
At 1 January 2011	(155,058)	(534)	(335,156)	(31,155)	(75,739)	(597,642)
Reclassification	–	–	(197)	204	(7)	–
Charge for the year	(27,524)	(268)	(54,952)	(6,115)	(10,895)	(99,754)
Written back on disposal	(19)	–	2,062	4,100	1,034	7,177
Exchange adjustment	7,559	–	15,935	794	2,694	26,982
At 31 December 2011	**(175,042)**	**(802)**	**(372,308)**	**(32,172)**	**(82,913)**	**(663,237)**
Net book value:						
At 31 December 2011	**581,523**	**936**	**351,999**	**17,831**	**40,677**	**992,966**
At 31 December 2010	547,155	1,204	361,838	14,006	37,488	961,691

As at 31 December 2011, the Group was in the process of registering the title of buildings with net book value of RMB78,751,000 (2010: RMB129,250,000).

At 31 December 2011, the Group did not have secured bank overdraft (2010: bank overdrafts of RMB11,976,000 were secured by a pledge on buildings which had a carrying value of RMB4,085,000).

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The Company

	Office equipment	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**1,128**	714
Additions	**113**	414
Disposals	**(1,241)**	–
At 31 December	**–**	1,128
Accumulated depreciation:		
At 1 January	**(219)**	(44)
Charge for the year	**(200)**	(175)
Written back on disposals	**419**	–
At 31 December	**–**	(219)
Net book value:		
At 31 December	**–**	909

14 CONSTRUCTION IN PROGRESS

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**65,439**	135,411
Additions	**324,013**	103,080
Transfers to property, plant and equipment	**(114,704)**	(171,837)
Exchange adjustment	**5**	(1,215)
At 31 December	**274,753**	65,439

15 LEASE PREPAYMENTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**210,139**	215,019
Additions	**69,144**	93
Disposals	**–**	(777)
Exchange adjustment	**–**	(4,196)
At 31 December	**279,283**	210,139
Accumulated amortisation:		
At 1 January	**(16,020)**	(11,992)
Charge for the year	**(5,202)**	(4,272)
Written back on disposals	**–**	76
Exchange adjustment	**–**	168
At 31 December	**(21,222)**	(16,020)
Net book value:		
At 31 December	**258,061**	194,119

Lease prepayments represent payments for land use rights made to the PRC authorities. The Group's land use rights have remaining terms ranging from 36 to 49 years as at 31 December 2011 (2010: 37 to 49 years).

16 INTANGIBLE ASSETS

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost:		
At 1 January	**72,041**	82,554
Additions	**1,716**	1,090
Disposals	**–**	(5,629)
Exchange adjustment	**(3,724)**	(5,974)
At 31 December	**70,033**	72,041
Accumulated amortisation:		
At 1 January	**(29,967)**	(26,697)
Charge for the year	**(8,283)**	(8,734)
Written back on disposals	**–**	3,800
Exchange adjustment	**1,810**	1,664
At 31 December	**(36,440)**	(29,967)
Net book value:		
At 31 December	**33,593**	42,074

Intangible assets mainly represent technical know-how used in the production of tank trucks, compressors and provision of integrated business solutions for gas equipment.

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

17 PREPAYMENTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Deposit for lease prepayment	**56,362**	24,019
Prepayment for equity investment		
– Third parties (note 43(a))	**33,000**	–
– Related parties (notes 38(b) & 43(b))	**28,775**	–
	118,137	24,019

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011 **RMB'000**	2010 RMB'000
Unlisted shares, at cost	**4,273,541**	4,468,583

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

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Enric Investment Group Limited	British Virgin Islands 1 May 2002	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Enric (Bengbu) Compressor Company Limited	PRC 14 March 2002	Registered and paid-in capital of HKD60,808,385	–	100%	Manufacture and sale of compressors and related accessories
Enric Anhui Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Shijiazhuang Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Shijiazhuang Enric Gas Equipment Company Limited	PRC 30 September 2003	Registered and paid-in capital of USD7,000,000	–	100%	Manufacture and sale of pressure vessels
Enric Langfang Investment Limited	British Virgin Islands 14 September 2004	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Integration (HK) Company Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding
CIMC Enric Hong Kong Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	100%	–	Investment holding
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of HKD50,000,000	–	100%	Provision of integrated business solutions for gas equipment
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

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Enric Jingmen")	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd ("Hongtu") (i)	PRC 29 October 2004	Registered and paid-in capital of RMB20,000,000	–	80%	Manufacture and sale of specialised transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited (i)	PRC 2 November 2009	Registered and paid-in capital of RMB500,000	–	90%	Investment holding
Sound Winner Holdings Limited	British Virgin Islands 11 December 2007	Authorised capital of USD50,000 and paid-in capital of USD10,000	100%	–	Investment holding
Manner Kind International Limited	British Virgin Islands 28 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Perfect Vision International Limited	British Virgin Islands 21 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Win Score Investments Limited	Hong Kong 29 January 2008	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Investment holding
Nantong CIMC Tank Equipment Co., Ltd.	PRC 14 August 2003	Registered and paid-in capital of USD25,000,000	–	100%	Production and sales of tank containers
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("CIMC Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB144,862,042	–	100%	Design, production, sales and technical service of cryogenic storage and transportation equipment
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd.	PRC 28 April 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Manufacture and sale of pressure vessel
Full Medal Limited	British Virgin Islands 8 August 2008	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
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
Holvrieka Holding B.V.	The Netherlands 16 July 1976	Authorised capital of EUR12,000,000 and paid-in capital of EUR6,038,200	–	100%	Investment holding
Holvrieka Ido B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacturing of tanks
Holvrieka Nirota B.V.	The Netherlands 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka N.V.	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574	–	100%	Sales, engineering and manufacturing of tanks
Holvrieka Danmark A/S	Denmark 2 March 1978	Authorised 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 capital of USD30,000,000 and paid-in capital of USD10,000,000	–	100%	Investment holding
CIMC Enric International Trading Limited	Hong Kong 15 October 2007	Authorised capital of HKD10,000 and paid-in capital of HKD1	–	100%	Trading
CIMC Enric Tank Container Sales Europe B.V.	The Netherlands 7 March 2011	Authorised capital of EUR90,000 and paid-in capital of EUR18,000	–	100%	Sales of tank containers

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

19 GOODWILL

	The Group	
	2011	2010
	RMB'000	RMB'000
Cost		
At 1 January	**42,783**	43,046
Exchange adjustment	**–**	(263)
At 31 December	**42,783**	42,783

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

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and reportable segment as follows:

	2011	2010
	RMB'000	RMB'000
Cost		
CIMC Sanctum	**8,297**	8,297
Nantong Tank	**7,265**	7,265
Hongtu	**27,221**	27,221
At 31 December	**42,783**	42,783

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 7.05% (2010: 6.40%) for CGU of Nantong Tank, CIMC Sanctum and Hongtu. One major assumption is annual growth rates in revenue which vary among the subsidiaries. The growth rates are based on the subsidiaries' growth forecasts and the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on Nantong Tank's, CIMC Sanctum's and Hongtu's past performance and their expectations for market development. Management estimates that the recoverable amount of each CGU is larger than the carrying amount of the respective goodwill as at 31 December 2011 and 2010. The discount rates used are pre-tax and reflect specific risks relating to the relevant subsidiaries.

20 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2011	2010
	RMB'000	RMB'000
Held-to-maturity debt securities	**–**	1,685
Available-for-sale equity securities		
– Unlisted	**59**	59
	59	1,744

21 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2011, the Group held forward foreign currency contracts to manage the currency risk on expected future sales to customers for which the Group has firm commitments. At 31 December 2011, the fair value of these forward foreign currency contracts recognised as current assets was RMB3,041,000 (2010: RMB724,000).

22 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**775,078**	581,197
Consignment materials	**108,405**	70,005
Work in progress	**654,112**	325,995
Finished goods	**480,711**	347,544
	2,018,306	1,324,741

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Carrying amount of inventories sold	**4,833,313**	2,794,101
Write-down of inventories	**14,292**	22,408
Reversal of write-down of inventories	**(4,883)**	(34,421)
	4,842,722	2,782,088

The reversal of write-down of inventories arose as a result of the subsequent usage of certain raw materials for which a write-down was made in prior years.

23 TRADE AND BILL RECEIVABLES

	The Group	
	2011	2010
	RMB'000	RMB'000
Trade debtors and bill receivables	**1,408,666**	943,430
Less: allowance for doubtful debts (note 23(b))	**(55,408)**	(64,800)
	1,353,258	878,630

(a) Ageing analysis

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Current	**1,043,326**	587,507
Less than 1 month past due	**81,071**	92,557
1 to 3 months past due	**8,563**	64,205
More than 3 months but less than 12 months past due	**144,840**	128,479
More than 12 months past due	**75,458**	5,882
Amounts past due	**309,932**	291,123
	1,353,258	878,630

Trade and bill receivables are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis. Further details on the Group's credit policy are set out in note 40(a).

23 TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of trade and bill receivables

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bill receivables directly (see note 1(l)(ii)).

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

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**64,800**	86,175
Impairment loss recognised	**15,109**	8,534
Written back	**(15,888)**	(19,380)
Uncollectible amounts written off	**(6,654)**	(6,099)
Exchange adjustment	**(1,959)**	(4,430)
At 31 December	**55,408**	64,800

At 31 December 2011, the Group's trade receivables of RMB178,912,000 (2010: RMB172,851,000) 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 RMB55,408,000 (2010: RMB64,800,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade and bill receivables that are not impaired

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**1,043,326**	569,744
Less than 1 month past due	**80,314**	58,780
1 to 3 months past due	**8,563**	42,673
More than 3 months but less than 12 months past due	**52,554**	98,147
More than 12 months past due	**44,997**	1,235
	186,428	200,835
	1,229,754	770,579

23 TRADE AND BILL RECEIVABLES *(Continued)*

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

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	The Group	
	2011	2010
	RMB'000	RMB'000
Advances to suppliers	**134,960**	72,551
Deposits for tenders, contract work and equipment purchase	**27,462**	3,655
Staff advances	**8,938**	7,849
Deductible input value-added tax ("VAT")	**32,794**	23,762
VAT refundable for export sales	**1,244**	7,623
Receivables for disposal of property, plant and equipment	**–**	600
Prepayments for services	**14,714**	3,929
Gross amount due from customers for contract work	**176,395**	163,156
Others	**37,265**	26,881
	433,772	310,006

Deposits, other receivables and prepayments are expected to be recovered within one year.

25 PROJECT ENGINEERING CONTRACTS

The aggregate amounts of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2011 and 2010 are RMB251,985,000 and RMB162,642,000 respectively.

No gross amount due from/to customers for contract work at 31 December 2011 and 2010 is expected to 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 2011 and 2010 are RMB43,004,000 and RMB76,140,000 respectively. The amount of retentions is expected to be recovered within one year.

26 CASH AT BANK AND IN HAND

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Cash in hand and demand deposits	**955,250**	763,899	**146,873**	385
Restricted bank deposits within three months of maturity	**18,806**	59,133	**–**	–
Bank overdrafts	**(2,950)**	(17,346)	**–**	–
Cash and cash equivalents	**971,106**	805,686	**146,873**	385
Restricted bank deposits with maturity of more than three months	**86,940**	118,077	**–**	–
Add back bank overdrafts	**2,950**	17,346	**–**	–
	1,060,996	941,109	**146,873**	385

27 BANK LOANS AND OVERDRAFTS

At 31 December 2011, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 1 year or on demand	**301,139**	99,699	**48,642**	–
After 1 year but within 2 years	**72,963**	21,980	**72,963**	–
After 2 years but within 5 years	**121,605**	–	**121,605**	–
	194,568	21,980	**194,568**	–
	495,707	121,679	**243,210**	–

At 31 December 2011, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Unsecured bank overdrafts	**2,950**	5,370	**–**	–
Secured bank overdrafts	**–**	11,976	**–**	–
Bank loans – guaranteed	**492,757**	84,564	**243,210**	–
Bank loans – secured	**–**	19,769	**–**	–
	495,707	121,679	**243,210**	–

27 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31 December 2011, the Group did not have secured bank overdraft (2010: bank overdrafts of RMB11,976,000 were secured by a pledge on buildings which had a carrying value of RMB4,085,000). At 31 December 2011, the Group did not have secured bank loan (2010: bank loans of RMB19,769,000 were secured by a pledge of restricted bank deposits which had a carrying amount of RMB19,769,000). Save as disclosed above, all the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 1.96% to 6.67% for the year ended 31 December 2011 (2010: 1.97% to 5.04%).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(b). As at 31 December 2011 none of the covenants relating to drawn down facilities had been breached (2010: Nil).

28 TRADE AND BILL PAYABLES

	The Group	
	2011	2010
	RMB'000	RMB'000
Trade creditors	**1,051,501**	737,620
Bills payable	**241,846**	134,420
	1,293,347	872,040

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Due within 3 months or on demand	**1,230,410**	866,926
Due after 3 months but within 12 months	**54,558**	5,114
Due after 12 months	**8,379**	–
	1,293,347	872,040

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

29 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group	
	2011 **RMB'000**	2010 RMB'000
Advances from customers	**763,933**	434,349
Payables for contracts work	**11,637**	20,429
Other taxes payable	**23,747**	21,234
Accrued expenses	**69,753**	38,741
Employees' salary, bonus and welfare	**188,638**	96,840
Other surcharges payable	**5,587**	4,864
Directors' remuneration	**223**	260
Others	**82,696**	95,697
	1,146,214	712,414

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

30 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company on its exercise price.

(a) The terms and conditions of the grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 11 November 2009	6,100,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– on 28 October 2011	3,150,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 11 November 2009	37,650,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	81,950,000		

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

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

	2011 Weighted average exercise price	**2011** Number of options	2010 Weighted average exercise price	2010 Number of options
Outstanding at the beginning of the year	**HKD4.00**	**41,375,000**	HKD4.00	43,750,000
Forfeited during the year	**HKD4.00**	**(875,000)**	HKD4.00	(2,375,000)
Granted during the year	**HKD2.48**	**38,200,000**	–	–
Outstanding at the end of the year	**HKD3.26**	**78,700,000**	HKD4.00	41,375,000
Exercisable at the end of the year		**40,500,000**		20,825,000

The options outstanding at 31 December 2011 had an exercise price of HKD2.48 or HKD4.00 (2010: HKD4.00) and a weighted average remaining contractual life of 8.80 years commencing on the grant date (2010: 8.83 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%

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

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities based on publicly available information. Expected dividends are based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

31 PROVISIONS

	Warranty provision RMB'000	The Group Restructuring provision RMB'000	Total RMB'000
At 1 January 2010	39,390	3,525	42,915
Additional provision made/(reversal)	17,032	(408)	16,624
Provisions utilised	(10,328)	(2,152)	(12,480)
Exchange adjustment	(1,548)	(305)	(1,853)
At 31 December 2010	44,546	660	45,206
At 1 January 2011	**44,546**	**660**	**45,206**
Additional provision made/(reversal)	**21,145**	**(450)**	**20,695**
Provisions utilised	**(15,482)**	**–**	**(15,482)**
Exchange adjustment	**(399)**	**(6)**	**(405)**
At 31 December 2011	**49,810**	**204**	**50,014**

	Warranty provision RMB'000	The Group Restructuring provision RMB'000	Total RMB'000
Represented by:			
Current portion at 31 December 2010	28,580	660	29,240
Non-current portion at 31 December 2010	15,966	–	15,966
Balance at 31 December 2010	44,546	660	45,206
Current portion at 31 December 2011	**19,858**	**204**	**20,062**
Non-current portion at 31 December 2011	**29,952**	**–**	**29,952**
Balance at 31 December 2011	**49,810**	**204**	**50,014**

Under the normal terms of the Group's sales agreements, the Group will rectify any product defects arising within one to three years of the date of sale. Provision is therefore made for the best estimate of the expected settlement within the warranty period under these agreements in respect of sales made prior to the balance sheet date. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

Restructuring provision mainly relates to a provision, agreed upon with the Dutch labour union, for compensating laid-off employees with the difference between the salaries previously earned from the Group and the basic salary earned from the new employment.

32 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet:

	The Group	
	2011	2010
	RMB'000	RMB'000
Current tax payable at the beginning of the year	**22,585**	37,488
Provision for income tax on profit for the year	**153,400**	74,331
Current tax paid	**(156,536)**	(88,727)
Exchange adjustment	**354**	(507)
Current tax payable at the end of the year	**19,803**	22,585

(b) Deferred tax assets and liabilities recognised:

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

	Impairment losses for inventories and receivables	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 contracts/ inventories	Total
	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 2010	17,464	(62,853)	8,142	(3,597)	(313)	(27,240)	7,329	-	1,698	(7,060)	(66,430)
Credited/(charged) to the income statement	(8,325)	5,485	(1,604)	(167)	-	(9,240)	4,892	(111)	212	(400)	(9,258)
Exchange adjustment	(194)	6,293	(140)	-	-	-	(370)	3	(178)	729	6,143
At 31 December 2010	8,945	(51,075)	6,398	(3,764)	(313)	(36,480)	11,851	(108)	1,732	(6,731)	(69,545)
At 1 January 2011	**8,945**	**(51,075)**	**6,398**	**(3,764)**	**(313)**	**(36,480)**	**11,851**	**(108)**	**1,732**	**(6,731)**	**(69,545)**
Credited/(charged) to the income statement	**792**	**(479)**	**1,072**	**155**	**-**	**(8,942)**	**8,589**	**(348)**	**-**	**5,258**	**6,097**
Exchange adjustment	**-**	**3,733**	**-**	**-**	**-**	**-**	**-**	**-**	**(125)**	**(3)**	**3,605**
At 31 December 2011	**9,737**	**(47,821)**	**7,470**	**(3,609)**	**(313)**	**(45,422)**	**20,440**	**(456)**	**1,607**	**(1,476)**	**(59,843)**

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

(b) Deferred tax assets and liabilities recognised: *(Continued)*

	The Group	
	2011	2010
	RMB'000	RMB'000
Net deferred tax assets recognised on the consolidated balance sheet	**39,254**	28,926
Net deferred tax liabilities recognised on the consolidated balance sheet	**(99,097)**	(98,471)
	(59,843)	(69,545)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB50,929,000 (2010: RMB18,595,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2011, temporary differences relating to undistributed profits of subsidiaries amounted to RMB340,037,000 (2010: RMB122,837,000). Deferred tax liabilities of RMB20,865,000 (2010: RMB15,888,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits available for appropriation to the Company will not be distributed in the foreseeable future.

33 DEFERRED INCOME

	The Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**102,334**	110,036
Received during the year	**39,107**	2,532
Recognised in the income statement	**(3,309)**	(9,911)
Exchange adjustment	**–**	(323)
At 31 December	**138,132**	102,334

Deferred income mainly represents government grants obtained for the purposes of sponsoring the costs of construction of a new plant incurred by the Group. The related deferred income was recognised in the income statement over the useful life of the assets to offset the depreciation charge of the relevant assets after the completion of the new plant in 2010.

34 EMPLOYEE BENEFIT LIABILITIES

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

35 CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital RMB'000 35(b)	Share premium RMB'000 35(c)(i)	Contributed surplus RMB'000 35(c)(ii)	Capital reserve RMB'000 35(c)(iii)	Exchange reserve RMB'000 35(c)(iv)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	17,235	287,517	4,652,862	6,620	(66,307)	(25,168)	4,872,759
Total comprehensive income for the year	–	–	–	–	(181,815)	(65,458)	(247,273)
Equity-settled share-based transactions (note 30)	–	–	–	39,897	–	–	39,897
At 31 December 2010 and 1 January 2011	**17,235**	**287,517**	**4,652,862**	**46,517**	**(248,122)**	**(90,626)**	**4,665,383**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(205,262)**	**(42,686)**	**(247,948)**
Equity-settled share-based transactions (note 30)	**–**	**–**	**–**	**13,681**	**–**	**–**	**13,681**
At 31 December 2011	**17,235**	**287,517**	**4,652,862**	**60,198**	**(453,384)**	**(133,312)**	**4,431,116**

35 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2011 Number of shares	2011 RMB'000	2010 Number of shares	2010 RMB'000
Authorised:				
Ordinary shares of the Company of HKD0.01 each (i)	**10,000,000,000**		10,000,000,000	
Non-redeemable convertible preference shares of the Company of HKD0.01 each (ii)	**2,000,000,000**		2,000,000,000	
Issued and fully paid:				
Ordinary shares At 1 January and 31 December	**857,452,201**	**8,282**	857,452,201	8,282
Non-redeemable convertible preference shares At 1 January and 31 December	**1,015,641,321**	**8,953**	1,015,641,321	8,953
At 31 December	**1,873,093,522**	**17,235**	1,873,093,522	17,235

(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.

35 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

(ii) *(Continued)*

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.

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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

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

(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 1(t)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements denominated in foreign currency to Renminbi. The reserve is dealt with in accordance with the accounting policies set out in notes 1(x).

35 CAPITAL AND RESERVES *(Continued)*

(c) 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 Belgium Law. The legal reserve is not distributable.

(vi) Distributability of 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 2011, the Company had RMB4,353,683,000 available for distribution to equity shareholders of the Company (2010: RMB4,601,631,000).

(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 2010, 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.

35 CAPITAL AND RESERVES *(Continued)*

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

(vii) Capital management (Continued)

The net debt to adjusted capital ratio is as follows:

	Note	2011 RMB'000	2010 RMB'000
Current liabilities			
Bank loans and overdrafts	27	**301,139**	99,699
Trade and bill payables	28	**1,293,347**	872,040
Other payables and accrued expenses	29	**1,146,214**	712,414
Amounts due to related parties	38(b)	**49,696**	56,943
		2,790,396	1,741,096
Non-current liabilities			
Bank loans	27	**194,568**	21,980
Total debt		**2,984,964**	1,763,076
Less: Cash and cash equivalents	26	**(971,106)**	(805,686)
Net debt		**2,013,858**	957,390
Total equity		**3,341,132**	2,799,805
Less: Proposed dividends	10	**(116,881)**	–
Adjusted capital		**3,224,251**	2,799,805
Net debt to adjusted capital ratio		**62%**	34%

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

36 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 HKD20,000. 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.

37 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements are as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Contracted for		
– Production facilities	**184,773**	30,679
– Lease prepayments	**–**	92,946
– Equity investment	**169,577**	–
	354,350	123,625

At 31 December 2011 and 2010, the Company has no capital commitment.

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**3,329**	2,971	**730**	587
After 1 year but within 5 years	**5,813**	5,208	**638**	–
After 5 years	**12,292**	13,577	**–**	–
	21,434	21,756	**1,368**	587

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

38 MATERIAL RELATED PARTY TRANSACTIONS

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

		The Group	
		Year ended 31 December	
		2011	2010
Nature of transactions		**RMB'000**	RMB'000
Sales	(i)	**266,453**	148,226
Purchases	(ii)	**194,920**	114,806
Management charges	(iii)	**3,294**	3,290
Comprehensive charges	(iv)	**2,579**	3,275
Processing charges	(v)	**10,900**	4,481
Processing income	(vi)	**21,290**	–
Technology licence income	(vii)	**6,754**	–
Office services income	(viii)	**10,786**	–
Payment for equity investment (notes 17 & 43(b))		**28,775**	–

(i) Sales to related parties mainly represent the sale of products to related parties.

(ii) Purchases from related parties mainly represent purchases of raw materials for production.

(iii) Management charges mainly represent management services provided to the Group by related parties.

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

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

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

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

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

38 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

(ix) Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, certain highest paid employees as disclosed in note 8 and other key management personnel is as follows:

	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**13,070**	11,609
Equity compensation benefits	**3,686**	7,865
	16,756	19,474

Total remuneration is included in "staff costs" (see note 5(b)).

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Trade receivables for products sold	**26,039**	32,471
Prepayment for equity investment (notes 17 & 43(b))	**28,775**	–
Trade payables for raw material purchased and receipts in advance for sales	**(49,696)**	(56,943)

Notes:

(i) The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

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

39 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

At 31 December 2010, amounts due from subsidiaries represent cash advances to Enric Investment Group Limited and CIMC Enric Hong Kong Limited. At 31 December 2010, amounts due to a subsidiary represent cash advances from Sound Winner Holdings Limited. These amounts are unsecured, interest-free and repayable on demand.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bill receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bill receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 5.08% (2010: 1.87%) and 17.12% (2010: 6.45%) of the total trade and bill receivables are due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide financial guarantees to parties outside the Group which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bill receivables are set out in note 23.

(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.

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

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group	2011 Contractual undiscounted cash flow				2010 Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and overdrafts	313,394	200,191	513,585	495,707	103,051	22,413	125,464	121,679
Bill payables, creditors and accrued expenses	2,439,561	–	2,439,561	2,439,561	1,584,454	–	1,584,454	1,584,454
Amounts due to related parties	49,696	–	49,696	49,696	56,943	–	56,943	56,943
	2,802,651	200,191	3,002,842	2,984,964	1,744,448	22,413	1,766,861	1,763,076

The Company	2011 Contractual undiscounted cash flow				2010 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	50,048	200,191	250,239	243,210	–	–	–	–
Other creditors and accrued expenses	4,114	–	4,114	4,114	770	–	770	770
Amounts due to subsidiaries	32,676	–	32,676	32,676	22,124	–	22,124	22,124
	86,838	200,191	287,029	280,000	22,894	–	22,894	22,894

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank deposits and bank loans. Floating rate bank deposits and bank loans at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's floating rate bank deposits and bank loans at variable rates at the balance sheet date.

The Group	**2011**		2010	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**2.02%**	**917,210**	1.91%	765,743
Bank loans-guaranteed	**3.60%**	**(492,757)**	3.52%	(84,564)
Bank loans-secured	**–**	**–**	0.46%	(19,769)
Bank overdrafts	**4.14%**	**(2,950)**	4.14%	(17,346)

The Company	**2011**		2010	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**0.13%**	**146,873**	2.08%	385

(ii) Sensitivity analysis

At 31 December 2011, 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 RMB1,581,000 (2010: RMB2,415,000). 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 2010.

(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.

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

(d) Foreign currency risk *(Continued)*

(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 3 months. The Group considered the foreign currency risk arising from these short term borrowings is insignificant and no hedge was made against its foreign currency exposure.

(iii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

The Group

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

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

(d) Foreign currency risk *(Continued)*

(iii) Exposure to currency risk (Continued)

The Group

	Exposure to foreign currencies 2010					
	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000
Trade and bill receivables	–	922	–	–	–	174
Deposits, other receivables and prepayments	1,082	–	285	–	–	–
Cash and cash equivalents	243	56,166	15,605	684	2	–
Bank loans	–	–	(21,193)	–	–	–
Trade and bill payables	–	(10)	–	–	–	–
Other payables and accrued expenses	(384)	(22,093)	(609)	–	–	–
Overall net exposure	941	34,985	(5,912)	684	2	174

The Company

	Exposure to foreign currencies			
	2011			2010
	RMB **RMB'000**	**USD** **RMB'000**	**Euro** **RMB'000**	RMB RMB'000
Cash and cash equivalents	**1,429**	**8,327**	**8,414**	243
Deposits, other receivables and prepayments	**20**	**–**	**–**	1,082
Other payables and accrued expenses	**(2,700)**	**–**	**–**	(384)
Overall net exposure	**(1,251)**	**8,327**	**8,414**	941

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

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis

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

The Group	2011		2010	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
RMB	5%	43	4%	27
	(5%)	(43)	(4%)	(27)
USD	4%	3,464	3%	916
	(4%)	(3,464)	(3%)	(916)
HKD	4%	1,920	4%	(165)
	(4%)	(1,920)	(4%)	165
Euro	7%	6,763	10%	52
	(7%)	(6,763)	(10%)	(52)
GBP	5%	–	7%	–
	(5%)	–	(7%)	–
DKK	7%	959	10%	13
	(7%)	(959)	(10%)	(13)

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 2010.

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

(e) Fair value

(i) Financial instruments carried at fair value

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

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

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

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

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

2010	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	724	–	724
	–	724	–	724

During the years ended 31 December 2011 and 2010, there were no significant transfers between instruments in Level 1 and Level 2.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

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

(f) Estimation of fair values

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

(i) Derivatives

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

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

(ii) Interest-bearing loans and borrowings

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

(iii) Interest rates used for determining fair value

The Group uses the relevant government yield curve as of 31 December 2011 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2011	2010
Loans and borrowings	**1.96% – 6.67%**	1.97% – 5.04%

41 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2011, the Directors consider the parent of the Company to be CIMC HK, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2011, 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.

42 ACQUISITION OF NON-CONTROLLING INTERESTS

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

The Group recognised a decrease in non-controlling interests of RMB2,156,000 and a decrease in retained earnings of RMB1,444,000.

The following summarises the effect of changes in the Group's ownership interest in Hongtu Machinery.

	2011 RMB'000
Equity interest in Hongtu Machinery at beginning of the year	**1,046**
Effect of increase in Hongtu Machinery's equity interest	**2,071**
Share of comprehensive income during the year	**212**
Effect of deregistration of Hongtu Machinery	**(3,329)**
Equity interest in Hongtu Machinery at the end of the year	**–**

43 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

(a) On 19 September 2011, CIMC Enric Investment Holdings (Shenzhen) Limited, a wholly-owned subsidiary of the Company entered into the equity transfer agreement with the third-party vendors in which it was agreed that the vendors shall sell and CIMC Enric Investment Holdings (Shenzhen) Limited shall purchase the 100% of equity interest in Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI") with the consideration of RMB165,000,000. Payment of RMB33,000,000 was made to the vendors as the prepayment for equity investment as at 31 December 2011. The transaction was completed on 1 January 2012.

The Group is in the process of making an assessment of fair value of the identifiable assets and liabilities of YPDI, and of the financial impact of such transaction.

YPDI is principally engaged in consultancy, planning, design, service, procurement and contracting for petrochemical projects; pressure vessels and pressure piping design; computer software development and utilisation.

(b) On 30 November 2011, Nantong Tank entered into two equity transfer agreements with CIMC Vehicle (Group) Co., Ltd. and CIMC Tank Equipment Investment Holdings Company Limited, respectively.

It was agreed that the vendors shall sell and Nantong Tank shall purchase the 100% of equity interest in Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport").

Payment of RMB28,775,000 was made to the vendors as the prepayment for equity investment as at 31 December 2011. The transaction was completed on 17 February 2012.

The Group is in the process of making an assessment of fair value of the identifiable assets and liabilities of Nantong Transport, and of the financial impact of such transaction.

(c) After the balance sheet date, the directors of the Company proposed a final dividend. Further details are disclosed in note 10.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These included the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Corporate Information

Directors

Executive Directors
Zhao Qingsheng *(Chairman)*
Gao Xiang *(General Manager)*
Jin Jianlong
Yu Yuqun

Non-executive Directors
Jin Yongsheng
Petrus Gerardus Maria van der Burg

Independent Non-executive Directors
Wong Chun Ho
Tsui Kei Pang
Zhang Xueqian

Company Secretary
Cheong Siu Fai *CPA*

Audit Committee
Wong Chun Ho* *CFA, CPA*
Tsui Kei Pang
Zhang Xueqian

Remuneration Committee
Tsui Kei Pang*
Jin Jianlong
Zhang Xueqian

Nomination Committee
Zhao Qingsheng*
Wong Chun Ho
Zhang Xueqian

** chairman of the relevant Board committees*

Authorised Representatives
Zhao Qingsheng
Cheong Siu Fai

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Legal Advisor
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26th Floor, Jardine House
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Central
Hong Kong

Principal Bankers
Agricultural Bank of China
Bank of Communications
Bank of China
China Construction Bank
ING Bank

Principal Share Registrar and Transfer Office
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Hong Kong Branch Registrar and Transfer Office
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Stock Code
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Company Website
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Investor Relations Portal
www.irasia.com/listco/hk/enric

Glossary

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

"AGM"	the annual general meeting of the Company
"Articles"	articles of association of the Company
"CG Code"	the Code on Corporate Governance Practices 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
"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 Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC Vehicle"	CIMC Vehicle Investment Holdings Company Limited
"CIMC Vehicle Group"	中集車輛(集團)有限公司 CIMC Vehicle (Group) Co., Ltd.
"CNG"	compressed natural gas
"Company"	CIMC Enric Holdings Limited
"EGM"	the extraordinary general meeting of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

Glossary

“Mr. van der Burg”	Mr. Petrus Gerardus Maria van der Burg
“Nantong Tank”	南通中集罐式儲運設備製造有限公司 Nantong CIMC Tank Equipment Co., Ltd.
“Nantong Transport”	南通中集交通儲運裝備製造有限公司 Nantong CIMC Transportation & Storage Equipment Co., Ltd.
“PGM”	P.G.M. Holding B.V.
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YPDI”	南京揚子石油化工設計工程有限責任公司 Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd.

CIMC Enric Holdings Limited

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