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CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)	
Turnover	4,163,049	5,020,353	-17.1%
Profit attributable to shareholders	288,499	511,755	-43.6%
Basic earnings per share	RMB0.149	RMB0.265	-43.8%

The Board of Directors of CIMC Enric Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited financial results of the Group for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014.

The interim financial results are unaudited but have been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, and the Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 – unaudited

		Six months ended 30 June	
	Note	2015 RMB'000	2014 RMB'000 (Restated)
Turnover	4	4,163,049	5,020,353
Cost of sales		<u>(3,452,889)</u>	<u>(4,093,237)</u>
Gross profit		710,160	927,116
Change in fair value of derivative financial instruments		6,644	(3,047)
Other revenue	5	80,366	113,239
Other income, net	5	3,202	6,133
Selling expenses		(132,272)	(142,444)
Administrative expenses		<u>(296,374)</u>	<u>(353,669)</u>
Profit from operations		371,726	547,328
Finance costs	6	(7,859)	(17,520)
Share of post-tax loss of associates		<u>(424)</u>	<u>–</u>
Profit before taxation	6	363,443	529,808
Income tax expenses	7	<u>(69,442)</u>	<u>(11,635)</u>
Profit for the period		<u>294,001</u>	<u>518,173</u>
Attributable to:			
Equity shareholders of the Company		288,499	511,755
Non-controlling interests		<u>5,502</u>	<u>6,418</u>
Profit for the period		<u>294,001</u>	<u>518,173</u>
Earnings per share	8		
– Basic		<u>RMB 0.149</u>	<u>RMB0.265</u>
– Diluted		<u>RMB 0.147</u>	<u>RMB0.259</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (Restated)
Profit for the period	294,001	518,173
Other comprehensive income for the period		
Items that may be reclassified to profit or loss:		
Currency translation differences	<u>(48,878)</u>	<u>(1,002)</u>
Total comprehensive income for the period	<u>245,123</u>	<u>517,171</u>
Attributable to:		
Equity shareholders of the Company	239,621	510,753
Non-controlling interests	<u>5,502</u>	<u>6,418</u>
Total comprehensive income for the period	<u>245,123</u>	<u>517,171</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2015 – unaudited

		At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (Restated)
Non-current assets			
Property, plant and equipment	9	1,976,405	2,007,767
Construction in progress		280,804	227,072
Investment property		34,728	38,982
Lease prepayments		435,170	440,373
Intangible assets		84,627	97,020
Investment in associates	10	4,000	4,457
Prepayment		72,000	–
Goodwill		131,428	129,341
Deferred tax assets		53,926	58,123
		<u>3,073,088</u>	<u>3,003,135</u>
Current assets			
Derivative financial instruments		5,556	29
Inventories	11	1,916,257	1,968,608
Trade and bills receivables	12	2,991,748	3,139,053
Deposits, other receivables and prepayments		735,286	553,375
Amounts due from related parties		161,234	168,429
Restricted bank deposits	13	86,029	111,886
Cash and cash equivalents	13	1,595,817	1,683,210
		<u>7,491,927</u>	<u>7,624,590</u>
Current liabilities			
Derivative financial instruments		394	1,511
Bank loans	14	60,487	60,499
Loans from related parties		210,000	110,000
Trade and bills payables	15	1,842,139	1,859,682
Other payables and accrued expenses		1,658,723	1,855,371
Amounts due to related parties		90,792	102,908
Provisions		56,209	49,375
Income tax payable		21,245	16,334
Employee benefit liabilities		226	148
		<u>3,940,215</u>	<u>4,055,828</u>
Net current assets		<u>3,551,712</u>	<u>3,568,762</u>
Total assets less current liabilities		<u>6,624,800</u>	<u>6,571,897</u>

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (Restated)
Non-current liabilities			
Bank loans	14	94,084	25,223
Provisions		38,849	47,647
Deferred tax liabilities		111,817	98,007
Deferred income		275,506	271,215
Employee benefit liabilities		1,886	1,175
		<u>522,142</u>	<u>443,267</u>
NET ASSETS		<u>6,102,658</u>	<u>6,128,630</u>
CAPITAL AND RESERVES			
Share capital		17,726	17,699
Reserves		6,032,183	6,065,127
Equity attributable to equity shareholders of the Company		6,049,909	6,082,826
Non-controlling interests		52,749	45,804
TOTAL EQUITY		<u>6,102,658</u>	<u>6,128,630</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – unaudited

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014										
(as previously reported)	17,376	139,414	1,135,360	58,485	(202,418)	329,607	3,811,121	5,288,945	34,071	5,323,016
Burg Service B.V. under common control combination	-	-	1,263	-	83	-	8,301	9,647	-	9,647
At 1 January 2014 (restated)	<u>17,376</u>	<u>139,414</u>	<u>1,136,623</u>	<u>58,485</u>	<u>(202,335)</u>	<u>329,607</u>	<u>3,819,422</u>	<u>5,298,592</u>	<u>34,071</u>	<u>5,332,663</u>
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	511,755	511,755	6,418	518,173
Other comprehensive income	-	-	-	-	(1,002)	-	-	(1,002)	-	(1,002)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,002)</u>	<u>-</u>	<u>511,755</u>	<u>510,753</u>	<u>6,418</u>	<u>517,171</u>
Issuance of shares in connection with exercise of share options	36	17,044	-	(4,897)	-	-	-	12,183	-	12,183
Equity-settled share-based transactions	-	-	-	4,997	-	-	-	4,997	-	4,997
Transfer to retained profits	-	-	-	(117)	-	-	117	-	-	-
Transfer to general reserve	-	-	-	-	-	17,722	(17,722)	-	-	-
2013 final dividend paid	-	-	-	-	-	-	(180,471)	(180,471)	-	(180,471)
Total contributions by and distributions to owners of the company, recognised directly in equity	<u>36</u>	<u>17,044</u>	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>17,722</u>	<u>(198,076)</u>	<u>(163,291)</u>	<u>-</u>	<u>(163,291)</u>
At 30 June 2014 (restated)	<u><u>17,412</u></u>	<u><u>156,458</u></u>	<u><u>1,136,623</u></u>	<u><u>58,468</u></u>	<u><u>(203,337)</u></u>	<u><u>347,329</u></u>	<u><u>4,133,101</u></u>	<u><u>5,646,054</u></u>	<u><u>40,489</u></u>	<u><u>5,686,543</u></u>

Attributable to equity shareholders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015										
(as previously reported)	17,699	127,924	1,135,045	87,400	(281,433)	373,313	4,610,391	6,070,339	45,804	6,116,143
Burg Service B.V. under common control combination	-	-	1,263	-	(1,386)	-	12,610	12,487	-	12,487
At 1 January 2015 (restated)	<u>17,699</u>	<u>127,924</u>	<u>1,136,308</u>	<u>87,400</u>	<u>(282,819)</u>	<u>373,313</u>	<u>4,623,001</u>	<u>6,082,826</u>	<u>45,804</u>	<u>6,128,630</u>
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	288,499	288,499	5,502	294,001
Other comprehensive income	-	-	-	-	(48,878)	-	-	(48,878)	-	(48,878)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,878)</u>	<u>-</u>	<u>288,499</u>	<u>239,621</u>	<u>5,502</u>	<u>245,123</u>
Issuance of shares in connection with exercise of share options	27	13,570	-	(4,245)	-	-	-	9,352	-	9,352
Distribution to previous shareholders of Burg under common control combination	-	-	(11,737)	-	-	-	-	(11,737)	-	(11,737)
Equity-settled share-based transactions	-	-	-	27,372	-	-	-	27,372	-	27,372
Acquisition of subsidiary	-	-	-	-	-	-	-	-	1,443	1,443
Transfer to retained profits	-	-	-	(117)	-	-	117	-	-	-
Transfer to general reserve	-	-	-	-	-	5,015	(5,015)	-	-	-
2014 final dividend paid	-	-	-	-	-	-	(297,525)	(297,525)	-	(297,525)
Total contributions by and distributions to owners of the company, recognised directly in equity	<u>27</u>	<u>13,570</u>	<u>(11,737)</u>	<u>23,010</u>	<u>-</u>	<u>5,015</u>	<u>(302,423)</u>	<u>(272,538)</u>	<u>1,443</u>	<u>(271,095)</u>
At 30 June 2015	<u><u>17,726</u></u>	<u><u>141,494</u></u>	<u><u>1,124,571</u></u>	<u><u>110,410</u></u>	<u><u>(331,697)</u></u>	<u><u>378,328</u></u>	<u><u>4,609,077</u></u>	<u><u>6,049,909</u></u>	<u><u>52,749</u></u>	<u><u>6,102,658</u></u>

NOTES:

1. STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement are extracted from the interim financial report of CIMC Enric Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015. The interim financial information are presented in Renminbi (“RMB”), unless otherwise stated.

This interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The interim financial information is unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the HKICPA.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Restatement due to common control combinations

On 10 July 2014, Sound Winner Holdings Limited (“Sound Winner”), a wholly-owned subsidiary of the Company, acquired from CIMC Tank Equipment Investment Holdings Company Limited (“CIMC Tank Equipment”) 100% of the registered capital of Holvrieka (China) Co., Ltd. (“NCLS”). The consideration was satisfied by Sound Winner procuring the allotment and issue of 39,740,566 ordinary shares by the Company to CIMC Tank Equipment.

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

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

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

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

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

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

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

Reconciliation of the results of operations for the six months ended 30 June 2014 and the financial position as at 31 December 2014 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	For the six months ended 30 June 2014				For the six months ended 30 June 2015	
	The Group RMB'000 (as previously reported)	NCLS RMB'000	Burg RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	The Group RMB'000
Results of operations						
Revenue	4,813,121	270,467	37,861	(101,096)	5,020,353	4,163,049
Profit from operations	534,459	10,671	2,198	–	547,328	371,726
Profit for the period	514,467	2,070	1,636	–	518,173	294,001
Profit for the period attributable to equity shareholders of the Company	508,049	2,070	1,636	–	511,755	288,499
Basic earnings per share (RMB)	0.268	–	–	–	0.265	0.149
Diluted earnings per share (RMB)	0.263	–	–	–	0.259	0.147
	As at 31 December 2014				As at 30 June 2015	
	The Group RMB'000 (as previously reported)	Burg RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	The Group RMB'000	
Financial position						
Current assets	7,601,410	23,180	–	7,624,590	7,491,927	
Total assets	10,601,282	26,443	–	10,627,725	10,565,015	
Current liabilities	4,042,152	13,676	–	4,055,828	3,940,215	
Total liabilities	4,485,139	13,956	–	4,499,095	4,462,357	
Equity attributable to equity shareholders of the Company	6,070,339	12,487	–	6,082,826	6,102,658	

(b) Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014 as described in those annual financial statements.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2015 and have not been early adopted:

	Effective for accounting periods beginning on or after
Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operation”	1 January 2016
Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”	1 January 2016
Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 “Investment entities: applying the consolidation exception”	1 January 2016
Amendments to HKAS 1 “Disclosure initiative”	1 January 2016
Annual improvements 2014	1 January 2016
HKFRS 15 “Revenue from Contracts with Customers”	1 January 2017
HKFRS 9 “Financial Instruments”	1 January 2018

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

3. SEGMENT REPORTING

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

- Energy equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas (“LNG”) trailers, LNG storage tanks, liquefied petroleum gas (“LPG”) tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas industry.
- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.
- Liquid food equipment: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk; and the provision of engineering, procurement and construction services for the brewery industry as well as other liquid food industries.

(a) Segment results, assets and liabilities

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)	2015 RMB'000	2014 RMB'000 (restated)
Revenue from external customers	1,669,285	2,335,341	1,515,438	1,658,419	978,326	1,026,593	4,163,049	5,020,353
Inter-segment revenue	24	472	30,458	38,299	-	57	30,482	38,828
Reportable segment revenue	1,669,309	2,335,813	1,545,896	1,696,718	978,326	1,026,650	4,193,531	5,059,181
Reportable segment profit (adjusted profit from operations)	113,823	257,429	179,477	220,936	99,206	59,994	392,506	538,359
	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)
	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)
Reportable segment assets	5,971,770	6,048,600	2,215,378	2,103,727	2,106,358	2,372,517	10,293,506	10,524,844
Reportable segment liabilities	2,521,666	2,503,883	635,399	600,346	1,051,067	1,154,667	4,208,132	4,258,896

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000 (restated)
Revenue		
Reportable segment revenue	4,193,531	5,059,181
Elimination of inter-segment revenue	(30,482)	(38,828)
Consolidated turnover	4,163,049	5,020,353

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000 (restated)
Profit		
Reportable segment profit	392,506	538,359
Elimination of inter-segment profits	(895)	(9,499)
	<hr/>	<hr/>
Reportable segment profit derived from the Group's external customers	391,611	528,860
Finance costs	(7,859)	(17,520)
Unallocated operating (expenses)/income	(19,885)	18,468
Share of post-tax loss of associates	(424)	–
	<hr/>	<hr/>
Consolidated profit before taxation	363,443	529,808
	<hr/> <hr/>	<hr/> <hr/>
	At	At
	30 June	31 December
	2015	2014
	RMB'000	RMB'000 (restated)
Assets		
Reportable segment assets	10,293,506	10,524,844
Elimination of inter-segment receivables	(92,945)	(48,781)
	<hr/>	<hr/>
	10,200,561	10,476,063
Deferred tax assets	53,926	58,123
Unallocated assets	310,528	93,539
	<hr/>	<hr/>
Consolidated total assets	10,565,015	10,627,725
	<hr/> <hr/>	<hr/> <hr/>
	At	At
	30 June	31 December
	2015	2014
	RMB'000	RMB'000 (restated)
Liabilities		
Reportable segment liabilities	4,208,132	4,258,896
Elimination of inter-segment payables	(92,545)	(48,781)
	<hr/>	<hr/>
	4,115,587	4,210,115
Income tax payable	21,245	16,334
Deferred tax liabilities	111,817	98,007
Unallocated liabilities	213,708	174,639
	<hr/>	<hr/>
Consolidated total liabilities	4,462,357	4,499,095
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There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

4. TURNOVER

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

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

	Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (restated)
Sales of goods	2,853,059	3,900,508
Revenue from project engineering contracts	1,309,990	1,119,845
	<u>4,163,049</u>	<u>5,020,353</u>

5. OTHER REVENUE AND OTHER INCOME, NET

(a) Other revenue

	Note	Six months ended 30 June	
		2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (restated)
Government grants	(i)	17,822	18,073
Other operating revenue	(ii)	54,707	78,030
Interest income from bank deposits		7,837	9,195
Investment income	(iii)	–	7,941
		<u>80,366</u>	<u>113,239</u>

- (i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government.
- (ii) Other operating revenue consists mainly of income earned from subcontracting service and the sale of scrap materials.
- (iii) Investment income represents the gain from disposal of the available-for-sale equity interests.

(b) Other income, net

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
		(restated)
Net loss on disposal of property, plant and equipment	(253)	(283)
Charitable donations	(500)	–
Foreign exchange loss	(1,676)	(593)
Other net income	5,631	7,009
	<hr/>	<hr/>
	3,202	6,133
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAXATION

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

(i) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
		(restated)
Interest on bank loans and other borrowings	7,276	14,779
Bank charges	583	2,741
	<hr/>	<hr/>
	7,859	17,520
	<hr/> <hr/>	<hr/> <hr/>

(ii) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
		(restated)
Depreciation of property, plant and equipment	84,505	86,191
Amortisation of intangible assets	8,605	9,641
Amortisation of lease prepayments	5,201	5,318
Impairment provision for trade receivables	6,301	1,782
Reversal of impairment provision of trade receivables	(68)	(633)
Write-down of inventories	–	3,248
Reversal of write-down of inventories	(10,807)	–
Research and development costs	64,209	76,344
Operating lease charges for property rental	7,960	8,509
Provision for product warranties	20,380	18,521
Equity-settled share-based payment expenses	27,372	4,997
	<hr/>	<hr/>
	27,372	4,997
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015	2014
	RMB'000	<i>RMB'000</i> (restated)
Current income tax	44,398	70,666
Deferred income tax	25,044	(59,031)
	<hr/> 69,442 <hr/>	<hr/> 11,635 <hr/>

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 period.

According to the Corporate Income Tax Law of the People's Republic of China (the "Tax Law"), the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax treatment applicable to advanced and new technology enterprises at an income tax rate of 15%.

Pursuant to the Tax Law, "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which certain foreign subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the six months ended 30 June 2014, the deferred withholding tax liability of approximately RMB59,053,000 previously provided for the distributable profits of PRC subsidiaries was reversed and credited to income tax.

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

8. EARNINGS PER SHARE

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>288,499</u>	<u>511,755</u>
	Six months ended 30 June	
	2015	2014
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,933,055,176	1,933,564,939
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (note 16)	<u>28,500,243</u>	<u>40,479,290</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,961,555,419</u>	<u>1,974,044,229</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB79,675,000 (six months ended 30 June 2014: RMB74,215,000). Items of property, plant and equipment with net book value totalling RMB6,446,000 were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB1,087,000), resulting in a loss on disposal of RMB253,000 (six months ended 30 June 2014: RMB283,000).

10. INVESTMENT IN ASSOCIATES

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
At 1 January	4,457	4,000
Addition	–	2,057
Share of post-tax loss of associates	(424)	–
Exchange adjustment	<u>(33)</u>	<u>–</u>
At 30 June	<u>4,000</u>	<u>6,057</u>

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

11. INVENTORIES

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (restated)
Raw materials	689,564	725,815
Consignment materials	104,143	79,274
Work in progress	541,541	568,851
Finished goods	581,009	594,668
	<u>1,916,257</u>	<u>1,968,608</u>

12. TRADE AND BILLS RECEIVABLES

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

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (restated)
Current	<u>2,185,727</u>	<u>2,334,421</u>
Less than 1 month past due	179,557	146,710
1 to 3 months past due	116,083	278,644
More than 3 months but less than 12 months past due	377,450	304,281
More than 12 months past due	132,931	74,997
Amounts past due	<u>806,021</u>	<u>804,632</u>
	<u>2,991,748</u>	<u>3,139,053</u>

Trade and bills receivables (net of impairment losses for bad and doubtful debts) 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.

13. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

At 30 June 2015, RMB86,029,000 (31 December 2014: RMB111,886,000) were restricted as deposits for banking facilities.

(b) Cash and cash equivalents

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (restated)
Cash in hand and demand deposits	1,594,914	1,682,155
Restricted bank deposits within three months of maturity	<u>903</u>	<u>1,055</u>
	<u>1,595,817</u>	<u>1,683,210</u>

14. BANK LOANS

At 30 June 2015, the bank loans were repayable as follows:

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Within 1 year or on demand	60,487	60,499
After 1 year but within 2 years	<u>94,084</u>	<u>25,223</u>
	<u>154,571</u>	<u>85,722</u>

All the bank loans were unsecured. The annual rate of interest charged on the bank loans ranged from 2.33% to 6% for the six months ended 30 June 2015 (six months ended 30 June 2014: 1.98% to 6.15%).

15. TRADE AND BILLS PAYABLES

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i> (restated)
Trade creditors	1,614,468	1,678,606
Bills payables	<u>227,671</u>	<u>181,076</u>
	<u>1,842,139</u>	<u>1,859,682</u>

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (restated)
Within 3 months	1,445,585	1,583,489
3 months to 12 months	313,487	246,642
Over 12 months	83,067	29,551
	<u>1,842,139</u>	<u>1,859,682</u>

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

16. 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 take up options at a consideration of HKD1.00 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2015 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 4.37 years. As at 30 June 2015, 20,484,000 of these options were outstanding and exercisable.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2015 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 6.33 years. As at 30 June 2015, 28,571,000 of these options were outstanding, of which 18,161,000 options were exercisable and 10,410,000 options will become exercisable on 28 October 2015.

On 5 June 2014, 38,420,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2015 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 8.94 years. As at 30 June 2015, 38,420,000 of these options were outstanding, of which 15,368,000 options, 11,526,000 options and 11,526,000 options will become exercisable on 5 June 2016, 2017 and 2018, respectively.

17. DIVIDENDS

Final dividend of RMB297,525,000 in relation to the year ended 31 December 2014 was paid in June 2015 (2014: RMB180,471,000).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Product portfolio

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

Energy equipment

- Compressed natural gas (“**CNG**”) seamless pressure cylinders
- CNG trailers
- Liquefied natural gas (“**LNG**”) trailers and tanks
- Natural gas refueling station systems
- Liquefied petroleum gas (“**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 “Ziemann Holvrieka”.

Turnover

In the wake of the recent slump in international oil price and natural gas pricing reform implemented by the Chinese government in recent years, the price advantage of natural gas as an alternative fuel over oil has weakened significantly in comparison with the first half of 2014. Therefore, the market demand for natural gas equipment dropped significantly during the period, and the Group's energy equipment segment recorded a significant fall in turnover in the first half of 2015. Despite a robust growth in special tank containers' turnover, the falling demand for standardised tank containers caused the chemical equipment segment to post a decrease in turnover. Even with turnover growing in Euro terms by the liquid food equipment segment's European subsidiaries (being the core operating units of the segment), the segment recorded a moderate decline in turnover during the period due to the fact that the Euro has experienced a significant depreciation against RMB which is the reporting currency of the Group. As a result, the turnover for the first half of 2015 slipped by RMB857,304,000 to RMB4,163,049,000 (corresponding period in 2014: RMB5,020,353,000). The performance of each segment is discussed below:

During the first half of 2015, the energy equipment segment's revenue fell by 28.5% to RMB1,669,285,000 (corresponding period in 2014: RMB2,335,341,000) because of a decline in the demand for natural gas equipment in general which was caused by a deceleration in oil-to-gas projects in China as well as the attractiveness of using natural gas as an alternative fuel given the diminished price advantage of natural gas over oil in the recent months. In particular the sales volume of LNG trailers, on-vehicle LNG fuel tanks and LNG refueling stations saw various degrees of decrease comparing with the same period last year. At the same time, due to increased competitive pressures, the average selling price ("ASP") of these products declined which also contributed to the fall in segment turnover. The segment remains the top grossing segment and accounted for 40.1% (corresponding period in 2014: 46.5%) of the Group's total turnover.

The chemical equipment segment's turnover decreased by 8.6% to RMB1,515,438,000 (corresponding period in 2014: RMB1,658,419,000) due to a fall in the sales volume of standardised tank containers which more than offset an increase in demand for special tank containers during the period. The segment made up 36.4% of the Group's total turnover (corresponding period in 2014: 33.0%).

The liquid food equipment segment's turnover posted a moderate decline of 4.7% to RMB978,326,000 during the period (corresponding period in 2014: RMB1,026,593,000) mainly because of the depreciation of Euro against RMB as Euro is the operating currency of the European subsidiaries which are the core operating units of the segment while RMB is the reporting currency of the Group. Therefore despite a rise in the Group's European subsidiaries' turnover in Euro terms, the segment recorded a slight decline after translation into RMB. The segment accounted for 23.5% of the Group's total turnover (corresponding period in 2014: 20.5%).

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly to 18.8% (corresponding period in 2014: 20.5%). The slight decline is mainly the result of a change in the product mix with LNG design and engineering projects increasing its turnover contribution during the period as well as lower ASP of certain LNG products. As for the chemical equipment segment, its GP margin saw a decline from 16.5% in the same period last year to 15.0% during the period. This is attributable to falling average selling price and higher cost of production during the period. The GP margin for liquid food equipment segment remained stable at 16.9% during the period (corresponding period in 2014: 17.0%).

While the liquid food equipment segment's GP margin remained stable, the decline of both energy and chemical equipment segments' GP margins caused the Group's overall GP margin to fall by 1.5 percentage points to 17.0% (corresponding period in 2014: 18.5%).

Profit from operations expressed as a percentage of turnover decreased by 2.0 percentage points to 8.9% (corresponding period in 2014: 10.9%) which is mainly attributable to a lower GP margin and both selling and administrative expenses declined at a slower rate than turnover during the period.

Review by business segments

Energy equipment

Operational performance

During the first half of 2015, the energy equipment segment's turnover was RMB1,669,285,000 (corresponding period in 2014: RMB2,335,341,000). The segment's operating profit for the period fell to RMB113,823,000 (corresponding period in 2014: RMB257,429,000) which was mainly caused by a lower GP margin resulting from a change in product mix and lower ASP of certain LNG products, and also selling and administrative expenses falling at a slower rate than the decline in turnover.

Research and development

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

Several R&D projects involving LNG equipment for marine application were carried out and will continue in the second half of the year, such as LNG onshore refueling station system and LNG tank for marine transportation. Moreover, the segment has been actively involved in the R&D of equipment used in different energy resources, such as fuel tank for nuclear energy and gas wellhead equipment. Amid a weak oil price environment, the R&D team has also devoted to developing various LPG equipment for international market.

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

Future plans and strategies

The market demand for natural gas equipment has dropped significantly during the first half of 2015, due to persistent low oil price, coupled with the Chinese government's natural gas pricing reforms implemented in recent years. The segment has also experienced increasing competition from existing and new market entrants. Although China's natural gas industry will continue to face pressure in the near-term, the Group strongly believes that the prospect of the industry is broadly positive in the long run. The Group remains well positioned and believes that superior industry qualifications, good reputation, sound track record, thorough competitor analysis, differentiated products and services, strong sales and marketing team and advanced R&D capability, all of which the Group possesses, will become the decisive competitive advantages over rivals.

The Group's energy equipment segment remains committed in providing high quality and lightweight products to customers. With the Group's well-established brands in the energy equipment market, the segment is devoted to reinforce the market share of its core products in China. Apart from energy equipment manufacturing, the segment is devoted to creating additional value to customers and offering one-stop solutions to them.

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

To diversify internationally, the segment targets to develop more business opportunities from overseas. Under the Chinese government's "one belt, one road" initiative, the energy equipment segment will continuously monitor market opportunities in South-east Asia and Russia, especially for CNG products and refueling station systems, LPG spherical tanks and other LPG equipment.

The price for the unconventional gas sources, which require delivery in the form of CNG or LNG, may have more competitiveness under the Chinese government's natural gas pricing reform. With the advanced capabilities in design and project engineering possessed by the Group, the energy equipment segment will step up its effort to explore more EPC business for unconventional gas sources, such as small and medium scale liquefaction systems, in both China and international markets.

Earlier in the year, the segment has planned to make use of the Group's land and infrastructure in Nantong in 2015 for the establishment of production base for on-board LNG fuel tanks, LNG refueling equipment for LNG vessels and related equipment. In view of the uncertainty of the natural gas market in the short term, the Group has been mindful for capital expenditure and decided to slow down the establishment of the above production base.

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

Facing increased competition, the energy equipment segment endeavours to further reduce production costs and enhance production efficiency through implementation of manufacturing technology improvement programmes, continuous product development and product upgrades, as well as procurement management and control.

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

Chemical equipment

Operational performance

During the first half of 2015, the chemical equipment segment's turnover was RMB1,515,438,000 (corresponding period in 2014: RMB1,658,419,000). The segment's operating profit for the period decreased to RMB179,477,000 (corresponding period in 2014: RMB220,936,000) which was mainly due to a lower GP margin resulting from falling ASP and higher cost of production and also selling and administrative expenses falling at a slower rate than the decline in turnover.

Research and development

The chemical equipment segment has devoted to the R&D of different types of tank containers to meet customer needs. During the first half of 2015, the segment has been conducting various R&D projects, such as 39-ton 20-feet ISO tank container, swap body tank container with lightweight structure and 20-feet 32-cubic-metre large volume tank container for gondola railcar.

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

Future plans and strategies

After many years of growth, the Group's chemical equipment segment has encountered cyclical fluctuations of the chemical market. The trend of cyclical fluctuations is expected to continue in the second half of the year. The segment remains committed to maintain its leading position in tank container manufacturing and will continue to seek cost advantage over competitors by optimising product design and production processes. For instance, the segment has increased the use of standardised components to maintain cost efficiency.

To keep ahead of competition, the chemical equipment segment also strives to build customer trust and confidence in its products by increasing communication and contacts with customers. The segment has held and will continue to hold conferences for the tank container industry which provide great opportunities for industry players to discuss issues and development trends of the industry, as well as exchange of ideas for product development.

The Group will continue to facilitate the transmission of know-how, technological expertise and market networks between its subsidiaries in China and Europe. Under a Sino-European product development programme, the segment successfully developed LNG tank containers with international standards and successfully exported the final products to the United States in 2014. Due to the recent decline in market demand for LNG, the sale performance of LNG tank containers was weak in the first half of 2015. With the Group's advanced product R&D capabilities, the segment will explore business opportunities for other types of special and high-ended tank containers as new drivers, such as cryogenic tank containers, tank containers for offshore oil and gas resources and tank containers for liquid food transportation.

Liquid food equipment

Operational performance

During the first half of 2015, the liquid food equipment segment's turnover was RMB978,326,000 (corresponding period in 2014: RMB1,026,593,000). The segment's operating profit for the period rose to RMB99,206,000 (corresponding period in 2014: RMB59,994,000) which was due to a stable GP margin and administrative expenses falling at a faster rate than turnover as a result of improved operational efficiency.

Research and development

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

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

Future plans and strategies

During the first half of 2015, the liquid food equipment segment has achieved a good pace of development with stable order intake and sales. Following the integration of certain assets acquired from Ziemann Group in 2012, the segment has become a provider of comprehensive turnkey solutions to beer and other liquid food producers. Apart from the market of beer, juice and dairy products, the segment targets to expand its business to the market of high-end products such as medical and biochemical products.

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

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

The Group recognises the importance of innovation and considers innovation as a growth driver. The liquid food equipment segment has developed process innovations and has participated in trade exhibitions to present the innovations to the market. In future, the segment targets to develop innovative products for mash filtration, milling system, energy projects, smart conveyor and fast fermentation.

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

FINANCIAL REVIEW

Liquidity and financial resources

At 30 June 2015, the cash and cash equivalents of the Group amounted to RMB1,595,817,000 (31 December 2014: RMB1,683,210,000). A portion of the Group’s bank deposits totalling RMB86,029,000 (31 December 2014: RMB111,886,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from related parties as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2015, the Group's bank loans and overdrafts amounted to RMB154,571,000 (31 December 2014: RMB85,722,000), other than a HKD100,000,000 (equivalent to RMB78,861,000) two-year term loan and RMB15,223,000 two-year term loan for capital expenditure, the remaining is repayable within one year. Apart from the term loans denominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.33% to 6.00% per annum. At 30 June 2015, the Group did not have secured bank loan (31 December 2014: Nil). As of 30 June 2015, bank loans amounting to RMB40,223,000 (31 December 2014: RMB85,722,000) were guaranteed by the Company's subsidiaries. As at 30 June 2015, loans from related parties amounted to RMB210,000,000 (31 December 2014: RMB110,000,000), which are unsecured, interest bearing from 4.90% to 5.25% (31 December 2014: 4.90% to 5.25%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2014: zero times) as the Group retained a net cash balance of RMB1,317,275,000 (31 December 2014: RMB1,599,374,000). The decrease in net cash balance is mainly attributable to purchase consideration for acquisitions and dividend paid during the period. Apart from this, the management dedicates its effort to continuously improve the cash management to minimise finance cost. The Group's interest coverage was 51.0 times for the period (corresponding period in 2014: 36.8 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash generated from operating activities amounted to RMB275,987,000; whilst RMB49,402,000 used in operating activities for the same period last year. The Group drew bank loans and loans from related parties totalling RMB241,157,000 (corresponding period in 2014: RMB315,755,000) and repaid RMB72,127,000 (corresponding period in 2014: RMB283,319,000). A payment of final dividend in respect of the financial year 31 December 2014 were approximately RMB297,525,000. In addition, cash proceeds amounted to RMB9,352,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 30 June 2015, total assets of the Group amounted to RMB10,565,015,000 (31 December 2014: RMB10,627,725,000) while total liabilities were RMB4,462,357,000 (31 December 2014: RMB4,499,095,000). The net asset value reduced by 0.4% to RMB6,102,658,000 (31 December 2014: RMB6,128,630,000). It was mainly attributable to the dividend payment of RMB297,525,000 and exchange difference on translation of financial statements denominated in foreign currencies of RMB48,878,000, which fully offsetting net profit of RMB294,001,000 for the period. As a result, the net asset value per share decreased to RMB3.154 at 30 June 2015 from RMB3.173 at 31 December 2014.

Contingent liabilities

At 30 June 2015, the Group did not have any significant contingent liabilities.

Future plans for source of funding and capital commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. At the same time, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement.

At 30 June 2015, the Group had contracted but not provided for capital commitments of RMB258,024,000 (31 December 2014: RMB123,875,000). As of 30 June 2015, the Group did not have authorised but not contracted for capital commitments (31 December 2014: Nil).

Foreign exchange exposure

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

Capital expenditure

In the first half of 2015, the Group invested RMB207,533,000 in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The energy equipment segment, chemical equipment segment and liquid food equipment segment invested RMB141,790,000, RMB56,280,000 and RMB9,463,000 respectively in capital expenditure during the period.

Employees and remuneration policies

At 30 June 2015, the total number of employees of the Group was approximately 9,800 (corresponding period in 2014: approximately 9,700). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB564,596,000 (corresponding period in 2014: RMB594,339,000).

There have been no material changes in respect of employee incentive and bonus policies, share option scheme and training scheme as disclosed in Annual Report 2014.

PROSPECTS

The pace of global economic recovery remains sluggish in the first half of 2015. According to the projection of the International Monetary Fund (IMF), the global growth was projected at 3.3% in 2015 with a gradual pickup in advanced economies and a slowdown in emerging markets and developing economies. For China, the country's GDP growth was approximately 7.0% in the first half of 2015. The Chinese government and IMF projected China's GDP growth for 2015 to be 6.9% and 6.8% respectively, indicating China's slowdown in economic growth.

In the first six months of 2015, China's natural gas consumption grew at 2.1% year-on-year to approximately 90.6 billion cubic metres ("bcm"), indicating that the demand remained largely flat in the first half of 2015. China recorded a 3.9% drop in LNG import to approximately 9.51 million tons during the period.

Influenced by the significant decline in international oil price and the Chinese government's natural gas pricing reforms implemented in recent years, the price advantage of natural gas as an alternative fuel over oil has weakened gradually, and the gap between natural gas price and oil price has narrowed significantly, and to a certain extent, undermined the motivation for oil-to-gas projects in China as well as the attractiveness of natural gas as a vehicle fuel. Therefore, the market demand for natural gas equipment dropped significantly during the first half of 2015. Moreover, the natural gas equipment industry in China has grown rapidly in recent years, market competition becoming more intense and average selling prices of some products decreased significantly. Even though the Chinese government implemented a natural gas price cut from April 2015, the natural gas's price competitiveness has remained weak due to cheaper oil. The market generally expects the Chinese government to cut natural gas price in the second half of 2015 to maintain the natural gas price competitiveness in China. Given the absolute environmental benefits of natural gas over other fossil fuels and together with the supportive policies for natural gas consumption by the Chinese government, the Group is confident on the long-term prospects of the natural gas industry in China.

As the natural gas equipment market is still pending a confirmative recovery, the Group's energy equipment segment will implement various measures to achieve lower cost of production, increased customisation and innovation as well as superior customer service, and will carefully manage and control its capital expenditure and accounts receivable. Apart from carrying out marketing strategies in the China market, the energy equipment segment will look for more growth opportunities in overseas markets. Under an industry downturn environment, the energy equipment segment will consider acquisition opportunities if they are a good strategic fit and available at a right price, to lay down a solid foundation for long-term development.

The slowdown in global economic growth continues to impact on the chemical industry in 2015. Except the United States, the chemical output from major economies was lacking strength to grow in the first six months of 2015. In recent years, the Group's chemical equipment segment has recorded modest growth on the back of previous years' economic recovery. In 2014, as the average selling price of tank containers was decreasing, customers purchased more tank containers for inventory reserves. In the first half of 2015, the Group's standard tank containers business has experienced cyclical fluctuations of the chemical market and the trend is expected to continue in the second half of the year.

The Group's chemical equipment segment remains committed in maintaining its leading position in tank container manufacturing business by controlling production costs, improving quality and enhancing operational efficiency. To pursue a healthy and sustainable growth in revenue, the chemical equipment segment will step up its effort to develop special and high-end tank containers.

In the first half of 2015, the Group's liquid food equipment segment has achieved moderate business growth. However, the Euro has fallen sharply against the RMB recently, and consequently a part of the segment's growth in turnover has been eroded by the devaluation of Euro, when the segment's turnover was converted from Euro to RMB.

Through the dedicated efforts to integrate business and operational structures with assets acquired from Ziemann Group in 2012, the business portfolio of the Group's liquid food equipment segment has broadened beyond providing processing equipment for beer and other liquid food manufacturers to offering comprehensive turnkey solutions to its customers. Apart from developing the Europe market, the segment will also explore more business opportunities and revenue sources in America and the emerging markets. Besides, through the acquisition of NCLS in the second half of 2014, the liquid food equipment segment has expanded its presence in the China market. With an aim to create synergies and achieve greater cost efficiency, the segment will endeavour to business integration following the acquisition of NCLS and will continue to introduce advanced manufacturing technologies and process automation from Europe to China.

The Group is delighted that CIMC Enric was awarded the 4th place among the "2014 Top 50 Energy Enterprises with the Most Promising Growth Potential" by "Energy" magazine and the Energy Business School in China. Several subsidiaries of the Group have also received awards and certifications for financial performance, product innovation and prestige branding during the first half of 2015. These achievements have fully demonstrated the Group's continuous commitment to strive for industry excellence, which not only served as a proof of public recognition, but also a great encouragement to motivate the Group to attain even better performance. The Group will strive to become a world-leading manufacturer of specialised equipment and provider of project engineering services in energy, chemical and liquid food industries.

Thanks to the shareholders, customers, suppliers and business partners for their confidence and support and thanks to the management and employees for their dedication and contribution. The Group firmly believes that the combination of the Group's key strategies and diversified business model will create sustainable and long-term value to shareholders.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), throughout the six months ended 30 June 2015.

The latest corporate governance report of the Company is set out in the Annual Report 2014. Details of each of the audit committee, the remuneration committee and the nomination committee of the Company are also provided in the same report.

The audit committee of the Company has reviewed and discussed with management the unaudited financial report of the Group for the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

As at the date of this announcement, the Board consists of Mr. Gao Xiang (*Chairman*), Mr. Liu Chunfeng (*General Manager*), Mr. Jin Jianlong and Mr. Yu Yuqun as executive Directors; Mr. Jin Yongsheng as a non-executive Director; and Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian as independent non-executive Directors.

By order of the Board
CIMC Eric Holdings Limited
Gao Xiang
Chairman

Hong Kong, 19 August 2015

The Interim Report 2015 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.