

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)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 3899

Interim Report 2014 中期報告





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

成為全球領先的**能源、化工及液態食品**行業
專用裝備製造商和相關項目工程服務供應商

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Financial Highlights

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000	+/-
FINANCIAL POSITION			
Total assets	9,608,799	9,560,178	+0.5%
Net assets	5,358,876	5,008,670	+7.0%
Net current assets	3,231,770	2,978,641	+8.5%
Cash and cash equivalents	1,192,050	1,533,695	-22.3%
Bank loans and overdrafts	153,522	170,873	-10.2%
Gearing ratio ¹	2.9%	3.4%	-0.5 ppt
For six months ended 30 June			
	2014 RMB'000	2013 RMB'000	+/-
OPERATING RESULTS			
Turnover	4,813,121	4,828,921	-0.3%
Gross profit	895,340	976,208	-8.3%
EBITDA	623,293	680,354	-8.4%
Profits from operations	534,459	589,774	-9.4%
Profit attributable to equity shareholders	508,049	467,071	+8.8%
PER SHARE DATA			
Earnings per share – basic	RMB0.268	RMB0.248	+8.1%
Earnings per share – diluted	RMB0.263	RMB0.243	+8.2%
Net asset value per share	RMB2.828	RMB2.362	+19.7%
KEY STATISTICS			
GP ratio	18.6%	20.2%	-1.6 ppt
EBITDA margin	12.9%	14.1%	-1.2 ppt
Operating profit margin	11.1%	12.2%	-1.1 ppt
Net profit margin ²	10.6%	9.7%	+0.9 ppt
Return on equity ³ – half year	9.9%	11.0%	-1.1 ppt
Interest coverage – times	98.7	64.4	+34.3
Inventory turnover days	108	102	+6
Debtor turnover days	94	76	+18
Creditor turnover days	82	71	+11

Notes:

- 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/Average shareholders' equity



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CIMC ENRIC HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 27 which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2014

Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Turnover	7	4,813,121	4,828,921
Cost of sales		(3,917,781)	(3,852,713)
Gross profit		895,340	976,208
Change in fair value of derivative financial instruments		(2,855)	1,343
Other revenue	8	107,729	83,322
Other income/(expenses), net	8	5,936	(141)
Selling expenses		(140,873)	(142,424)
Administrative expenses		(330,818)	(328,534)
Profit from operations		534,459	589,774
Finance costs	9	(8,048)	(11,147)
Profit before taxation	9	526,411	578,627
Income tax expenses	10	(11,944)	(107,476)
Profit for the period		514,467	471,151
Attributable to:			
Equity shareholders of the Company		508,049	467,071
Non-controlling interests		6,418	4,080
Profit for the period		514,467	471,151
Earnings per share	11		
Basic		RMB0.268	RMB0.248
Diluted		RMB0.263	RMB0.243

The notes on pages 10 to 27 form an integral part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit for the period	514,467	471,151
Other comprehensive income for the period		
Items that may be reclassified to profit or loss:		
Currency translation differences	(970)	(14,345)
Total comprehensive income for the period	513,497	456,806
Attributable to:		
Equity shareholders of the Company	507,079	452,726
Non-controlling interests	6,418	4,080
Total comprehensive income for the period	513,497	456,806

Consolidated Balance Sheet

As at 30 June 2014

	Note	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,743,437	1,767,065
Construction in progress		167,804	74,608
Lease prepayments		337,547	341,530
Intangible assets		113,433	123,220
Investment in associates	13	6,057	4,000
Goodwill		129,341	129,341
Other financial assets		–	59
Deferred tax assets		51,995	51,371
		2,549,614	2,491,194
Current assets			
Derivative financial instruments		–	1,104
Inventories	14	2,271,177	2,383,281
Trade and bills receivable	15	2,704,533	2,284,342
Deposits, other receivables and prepayments		646,191	656,700
Prepaid income tax		24,586	–
Amounts due from related parties	22(b)	151,761	81,429
Restricted bank deposits	16	68,887	128,433
Cash and cash equivalents	16	1,192,050	1,533,695
		7,059,185	7,068,984
Current liabilities			
Derivative financial instruments		1,751	–
Bank loans and overdrafts	17	99,347	134,493
Trade and bills payable	18	1,737,491	1,814,740
Other payables and accrued expenses		1,710,597	1,934,968
Amounts due to related parties	22(b)	206,852	134,625
Provisions		53,283	41,603
Income tax payable		17,889	29,707
Employee benefit liabilities		205	207
		3,827,415	4,090,343
Net current assets		3,231,770	2,978,641
Total assets less current liabilities		5,781,384	5,469,835

	<i>Note</i>	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Non-current liabilities			
Bank loans	17	54,175	36,380
Provisions		37,544	43,364
Deferred tax liabilities		50,741	111,526
Deferred income		278,384	268,213
Employee benefit liabilities		1,664	1,682
		<u>422,508</u>	<u>461,165</u>
NET ASSETS			
		<u>5,358,876</u>	<u>5,008,670</u>
CAPITAL AND RESERVES			
Share capital		17,412	17,376
Reserves	20	5,300,975	4,957,223
Equity attributable to equity shareholders of the Company			
		<u>5,318,387</u>	<u>4,974,599</u>
Non-controlling interests		40,489	34,071
TOTAL EQUITY			
		<u>5,358,876</u>	<u>5,008,670</u>

The notes on pages 10 to 27 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 (Note 20(b))	RMB'000 (Note 20(c))	RMB'000	RMB'000 (Note 20(d))	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2013	17,282	197,080	810,822	62,906	(200,381)	236,672	2,927,532	4,051,913	25,926	4,077,839
Change in equity for the six months ended 30 June 2013:										
Total comprehensive income for the period	-	-	-	-	(14,345)	-	467,071	452,726	4,080	456,806
Transactions with equity shareholders in their capacity as equity shareholders:										
Issuance of shares in connection with exercise of shares options	50	28,352	-	(8,170)	-	-	-	20,232	-	20,232
Equity-settled share-based transactions	-	-	-	4,539	-	-	-	4,539	-	4,539
Transfer to general reserve	-	-	-	-	-	44,842	(44,842)	-	-	-
2012 final dividend paid	-	(105,993)	-	-	-	-	-	(105,993)	-	(105,993)
At 30 June 2013	<u>17,332</u>	<u>119,439</u>	<u>810,822</u>	<u>59,275</u>	<u>(214,726)</u>	<u>281,514</u>	<u>3,349,761</u>	<u>4,423,417</u>	<u>30,006</u>	<u>4,453,423</u>
At 1 January 2014	17,376	139,414	810,822	58,485	(188,223)	328,900	3,807,825	4,974,599	34,071	5,008,670
Change in equity for the six months ended 30 June 2014:										
Total comprehensive income for the period	-	-	-	-	(970)	-	508,049	507,079	6,418	513,497
Transactions with equity shareholders in their capacity as equity shareholders:										
Issuance of shares in connection with exercise of shares 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	-	-	-	-	-	17,514	(17,514)	-	-	-
2013 final dividend paid	-	-	-	-	-	-	(180,471)	(180,471)	-	(180,471)
At 30 June 2014	<u>17,412</u>	<u>156,458</u>	<u>810,822</u>	<u>58,468</u>	<u>(189,193)</u>	<u>346,414</u>	<u>4,118,006</u>	<u>5,318,387</u>	<u>40,489</u>	<u>5,358,876</u>

The notes on pages 10 to 27 form an integral part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Operating activities			
Cash generated from operations		68,546	119,053
Income tax paid		(109,642)	(120,129)
Net cash used in operating activities		(41,096)	(1,076)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		(148,300)	(115,423)
Payment for lease prepayments		–	(28,650)
Payment for acquisition of intangible assets		(55)	(2,401)
Proceeds from disposal of intangible assets		5,137	–
Proceeds from disposal of property, plant and equipment		549	781
Proceeds from disposal of investments		8,000	–
Capital contribution to the associate		(2,057)	–
Interest received		9,061	7,312
Net cash used in investing activities		(127,665)	(138,381)
Financing activities			
Proceeds from new bank loans		205,341	234,207
Repayment of bank loans		(222,319)	(316,696)
Interest paid		(6,085)	(9,123)
Proceeds from issuance of ordinary shares		12,183	20,232
Dividends paid to Company's shareholders		(180,471)	(105,993)
Loans from a related party		80,000	50,000
Repayment of loans from a related party		(61,000)	(40,033)
Net cash used in financing activities		(172,351)	(167,406)
Net decrease in cash and cash equivalents		(341,112)	(306,863)
Cash and cash equivalents at 1 January	16(b)	1,532,190	953,308
Effect of foreign exchange rate changes		969	(12,962)
Cash and cash equivalents at 30 June	16(b)	1,192,047	633,483

The notes on pages 10 to 27 form an integral part of this interim financial report.

Notes to the Unaudited Interim Financial Statements

1 General information

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

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

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

This condensed consolidated interim financial report was approved for issue on 20 August 2014.

This condensed consolidated interim financial report has been reviewed, not audited.

2 Basis of preparation

This interim financial report for the six months ended 30 June 2014 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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

- (a) The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013 as described in those annual financial statements.
- (b) 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.
- (c) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2014 and have not been early adopted:

	Effective for accounting periods beginning on or after
Amendment to HKAS19 regarding defined benefit plans	1 July 2014
HKFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS15 "Revenue from Contracts with Customers"	1 January 2017
HKFRS 9 "Financial Instruments"	Effective date is not yet determined

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.

4 Estimates

The preparation of interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since the year end.

(b) Liquidity risk

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

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

	At 30 June 2014				At 31 December 2013			
	Contractual undiscounted cash flow				Contractual undiscounted cash flow			
	Within 1 year or on demand	1 to 5 years	Total	Carrying amount	Within 1 year or on demand	1 to 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and overdrafts	100,906	55,154	156,060	153,522	139,739	37,263	177,002	170,873
Bill payables, creditors and accrued expenses	3,448,087	-	3,448,087	3,448,087	3,749,708	-	3,749,708	3,749,708
Amounts due to related parties	208,672	-	208,672	206,852	137,397	-	137,397	134,625
	3,757,665	55,154	3,812,819	3,808,461	4,026,844	37,263	4,064,107	4,055,206

(c) *Fair value estimation*

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

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

As at 30 June 2014 and 31 December 2013, the Group's financial instruments measured at fair value were derivative financial instruments arising from forward exchange contracts and classified as level 2.

There were no transfers between Levels 1 and 2 during the period.

There were no other changes in valuation techniques during the period.

(d) *Fair value of financial assets and liabilities measured at amortised cost*

The fair value of the financial assets and liabilities carried at amortised cost approximate their carrying amount as of 30 June 2014 and 31 December 2013.

6 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 administration expenses.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below.

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	2,335,341	2,521,843	1,622,592	1,507,202	855,188	799,876	4,813,121	4,828,921
Inter-segment revenue	472	8,493	38,299	45,649	-	-	38,771	54,142
Reportable segment revenue	2,335,813	2,530,336	1,660,891	1,552,851	855,188	799,876	4,851,892	4,883,063
Reportable segment profit (adjusted profit from operations)	257,429	332,882	218,672	232,928	49,240	58,865	525,341	624,675

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June 2014 RMB'000	At 31 December 2103 RMB'000	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Reportable segment assets	5,784,310	5,958,303	2,118,955	2,011,298	1,584,492	1,511,115	9,487,757	9,480,716
Reportable segment liabilities	2,386,705	2,755,846	676,317	596,611	910,557	855,054	3,973,579	4,207,511

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	4,851,892	4,883,063
Elimination of inter-segment revenue	(38,771)	(54,142)
Consolidated turnover	4,813,121	4,828,921
	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit		
Reportable segment profit	525,341	624,675
Elimination of inter-segment profits	(9,349)	(9,135)
Reportable segment profit derived from the Group's external customers	515,992	615,540
Finance costs	(8,048)	(11,147)
Unallocated operating income and expenses	18,467	(25,766)
Consolidated profit before taxation	526,411	578,627

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Assets		
Reportable segment assets	9,487,757	9,480,716
Elimination of inter-segment receivables	(40,891)	(73,193)
	9,446,866	9,407,523
Deferred tax assets	51,995	51,371
Unallocated assets	109,938	101,284
	9,608,799	9,560,178
Consolidated total assets		
	9,608,799	9,560,178
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Liabilities		
Reportable segment liabilities	3,973,579	4,207,511
Elimination of inter-segment payables	(40,891)	(73,193)
	3,932,688	4,134,318
Income tax payable	17,889	29,707
Deferred tax liabilities	50,741	111,526
Unallocated liabilities	248,605	275,957
	4,249,923	4,551,508
Consolidated total liabilities		
	4,249,923	4,551,508

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.

7 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	
	2014 RMB'000	2013 RMB'000
Sales of goods	3,693,276	3,815,192
Revenue from project engineering contracts	1,119,845	1,013,729
	4,813,121	4,828,921

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

(a) Other revenue

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Government grants	(i)	17,383	25,077
Other operating revenue	(ii)	73,345	50,933
Interest income from bank deposits		9,060	7,312
Investment income	(iii)	7,941	–
		107,729	83,322

- (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/(expenses), net*

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net (loss)/gain on disposal of property, plant and equipment	(283)	125
Other net income	6,962	4,181
Foreign exchange loss	(743)	(4,447)
	<u>5,936</u>	<u>(141)</u>

9 **Profit before taxation**

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

(i) *Finance costs*

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest on bank loans and other borrowings	5,390	9,123
Bank charges	2,658	2,024
	<u>8,048</u>	<u>11,147</u>

(ii) *Other items*

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Depreciation of property, plant and equipment	77,868	77,965
Amortisation of intangible assets	9,641	10,611
Amortisation of lease prepayments	3,984	4,030
Impairment provision for trade receivables	1,782	7,313
Reversal of impairment provision of trade receivables	(633)	(1,751)
Reversal of impairment provision of other receivables	–	(160)
Write-down of inventories	3,248	–
Reversal of write-down of inventories	–	(1,356)
Research and development costs	73,921	63,710
Operating lease charges for property rental	6,522	5,529
Provision for product warranties	18,291	21,564
Equity-settled share-based payment expenses	4,997	4,539

10 Income tax expenses

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax	73,234	102,890
Deferred income tax	(61,290)	4,586
	11,944	107,476

No provision has been made for Hong Kong Profits Tax as the Group does 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 period under review, 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 ruling in the relevant countries and are calculated on a stand-alone basis.

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:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	508,049	467,071

	Six months ended 30 June	
	2014	2013
Number of shares		
Weighted average number of ordinary shares	1,893,824,373	1,537,235,511
Weighted average number of non-redeemable convertible preference shares	–	344,585,635
Weighted average number of shares for the purpose of basic earnings per share	1,893,824,373	1,881,821,146
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (<i>note 19</i>)	40,479,290	42,938,088
Weighted average number of shares for the purpose of diluted earnings per share	1,934,303,663	1,924,759,234

12 Property, plant and equipment

During the six months ended 30 June 2014, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB55,798,000 (six months ended 30 June 2013: RMB85,513,000). Items of property, plant and equipment with net book value totalling RMB832,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB134,000), resulting in a loss on disposal of RMB283,000 (six months ended 30 June 2013: a gain on disposal of RMB125,000).

13 Investment in associates

(a) On 15 August 2013, Shijiazhuang Enric Gas Equipment Company Limited ("EGE"), a subsidiary of the Group, and Kunlun Energy (Gansu) Company Limited ("Kunlun Energy") entered into an agreement to incorporate Jiuquan Enric Kunlun Cryogenic Equipment Limited ("EKCE"). Pursuant to the agreement, EGE and Kunlun Energy contributed 40% and 60%, respectively, of the paid-in capital of EKCE, which amounted to RMB10,000,000 as at 30 June 2014. EGE's interest in EKCE was accounted for using the equity method. As at 30 June 2014, EKCE has not yet undertaken any business activities; therefore, the Group has not recognised any share of post-tax results in EKCE.

- (b) On 5 June 2014, CIMC Enric Tank and Process B.V. ("CETP"), a subsidiary of the Group, entered into an agreement with an independent third party, pursuant to which CETP and the independent third party contributed 49% and 51% equity interest respectively in Nirota B.V. CETP's interest in Nirota B.V. was accounted for using the equity method. As at 30 June 2014, Nirota B.V. has not yet undertaken any business activities; therefore, the Group has not recognised any share of post-tax results in Nirota B.V.

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

14 Inventories

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	830,420	747,960
Consignment materials	82,496	95,533
Work in progress	678,290	828,958
Finished goods	679,971	710,830
	2,271,177	2,383,281

15 Trade and bills receivable

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Current	1,901,770	1,633,517
Less than 1 month past due	194,814	227,878
1 to 3 months past due	186,128	108,794
More than 3 months but less than 12 months past due	270,676	238,573
More than 12 months past due	151,145	75,580
Amounts past due	802,763	650,825
	2,704,533	2,284,342

Trade and bills receivable (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.

16 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

At 30 June 2014, RMB68,887,000 (31 December 2013: RMB128,433,000) are restricted bank deposits with maturity of more than three months.

(b) Cash and cash equivalents

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash in hand and demand deposits	1,191,121	1,533,192
Restricted bank deposits within three months of original maturity	929	503
Cash and cash equivalents (as shown in balance sheet)	1,192,050	1,533,695
Cash and cash equivalents as shown in the statement of cash flows:		
Cash and cash equivalents	1,192,050	1,533,695
Bank overdrafts	(3)	(1,505)
Cash and cash equivalents (as shown in the statement of cash flows)	1,192,047	1,532,190

17 Bank loans and overdrafts

At 30 June 2014, the bank loans and overdrafts were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year or on demand	99,347	134,493
After 1 year but within 2 years	46,319	35,380
After 2 years but within 5 years	7,856	1,000
	<u>54,175</u>	<u>36,380</u>
	<u>153,522</u>	<u>170,873</u>

All the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 1.98% to 6.15% for the six months ended 30 June 2014 (six months ended 30 June 2013: 2.34% to 6.15%).

18 Trade and bills payable

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade creditors	1,559,158	1,476,987
Bills payable	178,333	337,753
	<u>1,737,491</u>	<u>1,814,740</u>

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 3 months	1,656,898	1,601,438
3 months to 12 months	55,145	187,072
Over 12 months	25,448	26,230
	<u>1,737,491</u>	<u>1,814,740</u>

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

19 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 2014 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 5.37 years. As at 30 June 2014, 22,790,000 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 2014 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 7.33 years. As at 30 June 2014, 30,810,000 options were outstanding, of which 9,690,000 options were exercisable, 10,560,000 options and 10,560,000 options will become exercisable on 28 October 2014 and 2015, respectively.

On 5 June 2014, 38,420,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2014 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 9.94 years. As at 30 June 2014, 38,420,000 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.

20 Capital, reserves and dividends

(a) Dividends

Final dividend of RMB180,471,000 in relation to the year ended 31 December 2013 was paid in June 2014 (2013: RMB105,993,000).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: Nil).

(b) Contributed surplus

The contributed surplus of the Group includes the difference between:

- (i) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005;
- (ii) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and the nominal value of the shares issued by the Company in exchange under the acquisition of certain subsidiaries during the year ended 31 December 2009; and
- (iii) the registered capital of Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") acquired of RMB69,945,550; and the aggregate cash consideration paid by the Company of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012 which was business combination under common control.

(c) *Capital reserve*

Capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised as an employee cost with a corresponding increase in a capital reserve within equity.

(d) *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. 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.

21 Commitments

- (a) Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report were as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for – Production facilities	138,755	49,198

- (b) At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	10,786	10,586
After 1 year but within 5 years	8,694	8,714
After 5 years	6,816	6,836
	26,296	26,136

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 lease when all terms are renegotiated. None of the leases includes contingent rentals.

22 Related party transactions

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

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Nature of transactions	Note		
Sales	(i)	213,974	217,847
Purchases	(ii)	174,773	79,725
Processing charges	(iii)	8,711	11,673
Processing income	(iv)	2,401	2,257
Technology licence income	(v)	3,496	1,408
Office services income	(vi)	1,287	2,854
Loans received from a related party	(vii)	80,000	50,000
Loan interest expenses	(vii)	1,521	740
Financial charges	(viii)	707	–

- (i) Sales to related parties mainly represent sale of products to related parties.
- (ii) Purchases from related parties mainly represent purchases of raw materials for production.
- (iii) Processing charges mainly represent processing services, site leasing and other related services provided to the Group by related parties.
- (iv) Processing income mainly represent processing services of welding, heat treatment and testing provided to related parties by the Group.
- (v) 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.
- (vi) Office services income mainly represents provision of office services including staff catering, transportation services, site leasing and general office services to related parties.
- (vii) The loans are unsecured, interest-bearing in a range from 4.90% to 5.25% per annum and are repayable within one year. During the period, loans of RMB61,000,000 had been repaid.
- (viii) Financial charges represent the charges for discounted bills.

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables for products and services	151,761	81,429
Trade payables for raw material purchased and receipts in advance for sales	(136,852)	(83,625)
Loans from a related party	(70,000)	(51,000)

(c) *Immediate and ultimate controlling party*

As at 30 June 2014, the Directors consider the parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2014, the Directors consider the ultimate controlling party of the Company to be China International Marine Containers (Group) Co., Ltd., which is incorporated in the People's Republic of China. This entity produces financial statements available for public use.

23 Events occurring after the balance sheet date

On 10 July 2014, Sound Winner Holdings Limited ("Sound Winner", a wholly-owned subsidiary of the Company) and CIMC Tank Equipment Investment Holdings Company Limited (the "Vendor", a related party of the Company) entered into an agreement pursuant to which, among others, the Vendor agreed to sell and Sound Winner agreed to purchase the entire equity interests in Holvrieka (China) Co., Ltd. The consideration is RMB337,000,000 and shall be satisfied by the Company allotting and issuing 39,740,566 ordinary shares in the Company to the Vendor at completion.

The completion of the abovementioned transaction is subject to satisfaction of the conditions in the agreement, which includes, among others, obtaining approval of the independent shareholders of the Company at the extraordinary general meeting scheduled on 25 August 2014. As of the date of the financial statements, the transaction has not yet been completed.

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 names “Holvrieka” and “Ziemann”.

Operational performance

Turnover

Influenced by the Chinese macroeconomic situation and natural gas price reform, the energy equipment segment, which generates its revenue primarily from China, has recorded a decline in turnover in the first half of 2014. With the continuing gradual recovery of the global economy, demand for the dominant product of the chemical equipment segment i.e. tank containers, has also improved which in turn caused the segment to record a modest growth. Despite increased order intakes, the liquid food equipment segment posted a modest growth in turnover during the period due to the fact that these new orders were at an initial stage which limited the amount of revenue that could be recognised. As a result, the turnover for the first half of 2014 remained stable at RMB4,813,121,000 (corresponding period in 2013: RMB4,828,921,000). The performance of each segment is discussed below:

During the first half of 2014, the energy equipment segment's revenue declined by 7.4% to RMB2,335,341,000 (corresponding period in 2013: RMB2,521,843,000) because of slowdown in the demand for CNG equipment and on-vehicle LNG fuel tanks which was in turn caused by deceleration of the economic growth rate and natural gas price reform in China. The segment remains the top grossing segment and accounted for 48.5% (corresponding period in 2013: 52.2%) of the Group's total turnover. LNG products are the main revenue contributors of this segment.

The chemical equipment segment recorded a modest growth of 7.7% to RMB1,622,592,000 (corresponding period in 2013: RMB1,507,202,000) due to an increase in the sales volume of tank containers with a continuing gradual global economic recovery. The segment made up 33.7% of the Group's total turnover (corresponding period in 2013: 31.2%).

The liquid food equipment segment posted a modest growth of 6.9% to RMB855,188,000 during the period (corresponding period in 2013: RMB799,876,000) as most new order intakes were at an initial stage that limited the recognition of revenue according to the percentage of completion method. The segment accounted for 17.8% of the Group's total turnover (corresponding period in 2013: 16.6%).

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") remained stable at 20.5% (corresponding period in 2013: 21.0%). The slight decline is the result of a change in the product mix with LNG design and engineering projects increasing its turnover contribution during the period.

As for the chemical equipment segment, its GP margin saw a decline from 18.8% in the same period last year to 16.3% during the period. This is mainly attributable to a fall in the average selling price of tank containers during the period.

The GP margin for liquid food equipment segment slipped from 20.5% to 17.9% during the period mainly due to change in product mix with the increased intake of lower margin equipment for the dairy industry.

While the energy equipment segment's GP margin remained stable, the decline of both chemical and liquid food equipment segments' GP margins caused the Group's overall GP margin to fall by 1.6 percentage points to 18.6% (corresponding period in 2013: 20.2%).

Profit from operations expressed as a percentage of turnover decreased by 1.1 percentage points to 11.1% (corresponding period in 2013: 12.2%) which is mainly attributable to a lower GP margin despite both selling and administrative expenses remained stable during the period.

Research and development

The Group targets to undertake more than 40 research and development ("R&D") projects in 2014. In the six months ended 30 June 2014, the Group devoted RMB73,921,000 (corresponding period in 2013: RMB63,710,000) to the R&D of new products and manufacturing technologies.

The Group has focused on developing modular, lightweight and intelligent products with advanced technology. Regarding product development during the first half of 2014, the energy equipment segment conducted R&D projects for LNG barge fueling systems, LNG fuel vessels and supporting solutions, LNG tanks for marine transport, LNG on-shore refueling station systems, large-scale LNG storage tanks, double-layer LNG spherical tanks, compact equipment for boil-off gas recovery, CNG transport ships, high-speed compressors for CNG wholesale and standard stations, large-scale process compressors, small-scale skid-mounted natural gas liquefaction plants, and composite cylinders for hydrogen storage. The chemical equipment arm focused on the development of new 39-ton ISO tank containers, high-strength steel tank containers for gas, high-temperature wide body tank containers with low heat dissipation and LNG tank containers for the international markets. The liquid food equipment segment devoted to the R&D of complete turnkey brewery systems.

Besides, progress has also been made on developing key components in-house rather than procuring them externally, which in turn shortening the production cycle, reducing production cost and ensuring the product quality. To ensure efficient progress of product technologies and achieve better management of the R&D portfolio, the Group has decided to establish own institutes for the R&D of specialised product technologies. An institute for R&D of cryogenic technology of the Group has been established in early 2014.

The acquisitions completed in recent years have brought technology innovation, coordination and exchange to the Group that further strengthened the Group's R&D capability. Following the acquisition of Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI"), the Group's R&D team has been working closely with YPDI on the overall planning and coordination of R&D on turnkey engineering projects as well as product design. Moreover, following the acquisition of certain assets from Ziemann Group, the Group has been benefited from broader resources and advanced technologies on the R&D of comprehensive turnkey solutions for processing and distribution of liquid food.

Apart from in-house R&D efforts, in order to strengthen the Group's prime position in the market and promote a sustainable development of the industries it engaged in, the Group has participated in the establishment of several national and/or industrial standards for products such as liquefied gas trailers, tank containers for liquefied gas, tank containers for hazardous liquids, tanker trucks for cryogenic liquefied gas, and tank containers for cryogenic liquefied gas. Furthermore, by conducting analysis on the products and R&D technologies in the market, the Group is enabled to develop superior products over its rivals.

The Group also possesses certain patented technologies in different countries to protect its invention and know-how. At 30 June 2014, the Group held exclusive rights to a portfolio of over 330 patents, of which more than 60 patents were newly obtained during the period.

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

Production capacity

In the first half of 2014, the Group invested RMB150,411,000 in capital expenditure. On top of the investments for regular production technology improvements amounted to RMB49,147,000, the amount of RMB101,264,000 was attributable to enhancement of production capacity.

The expansion projects for on-vehicle LNG fuel tanks in Zhangjiagang and Shijiazhuang were fully completed in early 2014. The products have been launched onto the market, and contributed considerable revenue during the period.

In the first half of 2014, the Group conducted another strategic investment on the production capacity enhancement on LNG tank containers based on the management vision on the industry development outlook. The Group has invested to enhance the production capacity of LNG tank containers in both Nantong and Shijiazhuang.

Sales and marketing

The Group runs sales offices in the PRC and South-east Asia.

Energy and chemical products and services are delivered across the PRC and exported to South-east Asia, Europe and both North and South America. While the production bases of liquid food products are established in Europe, its products and services are sold worldwide.

The Group is committed to build a broad and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group's broad customer base includes big names such as PetroChina, Sinopec, CNOOC, Kunlun Energy, China Resources Gas, ENN Energy, Cronos, EXSIF, TAL International, Sinochem International, Stolt-Nielsen and Foton Daimler. By investing in the development of healthy customer relationships, some customers have partnered with the Group to pursue new lines of business or develop new products. With the Group's overall capability to provide turnkey solutions, the Group strives to assist customers to create additional value by focusing on what they need.

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

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the period, the Group's revenue derived from overseas amounted to RMB2,297,054,000 (corresponding period in 2013: RMB2,155,712,000). Continuous efforts are put into emerging markets as well as natural-gas-rich countries like Russia and USA. The Group visits to emerging markets from time to time, so as to gather local market information and meantime promote its products and services.

The Group has set up representative offices in South-east Asia and Russia and a company in USA which have boosted local sales and allow direct access to customers in surrounding regions, the Group will look for opportunities to set up more organisations in various countries to facilitate sales and promotion.

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

The Group continues to endeavour to maintain its leading market position in various industries it is engaged in.

Cost control

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

Purchase of raw materials commonly used by different operating units of the Group has been centralised and made in bulk order. Regular meetings with subsidiaries have been held to discuss and formulate procurement plans. An inventory collaboration team has also been formed to monitor the inventory level and procurement processes. During the period, satisfactory results in cost reduction have been accomplished.

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

Moreover, the Group has implemented a flexible cost forecast programme among its subsidiaries, to achieve tighter cost control and more accurate and efficient budgeting. Such programme emphasises on the relationship between different productivity levels and types of cost involved.

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

Customer service

The Group values long-standing relationship with customers and endeavours to maintain safe and efficient operation of the products for customers. Customer service centres have been established in various cities in the PRC and timely delivery of after-sales customer service and technical support is pledged.

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), starting from 2007, has progressively established five examination and service centres for CNG trailers and other high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Xinjiang and Yangzhou, the PRC, to provide services including examinations, alternations, repairs and replacement parts to customers. A new centre in Hengyang of Hunan province has started construction in early 2014 and is scheduled to put into operation in the second half of 2014. According to the relevant safety regulations of the PRC, inspections of high pressure cylinder trailers in use should be carried out periodically. The above examination and service centres provide inspections and other services to customers in accordance with relevant regulations, to ensure the safety operation of customers' vehicles.

Human resources

At 30 June 2014, the total number of employees of the Group was approximately 9,700 (corresponding period in 2013: approximately 9,500). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB568,067,000 (corresponding period in 2013: RMB547,699,000).

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 2013.

Financial Resources Review

Liquidity and financial resources

At 30 June 2014, the cash and cash equivalents of the Group amounted to RMB1,192,050,000 (31 December 2013: RMB1,533,695,000) and bank loans and overdrafts of RMB153,522,000 (31 December 2013: RMB170,873,000). A portion of the Group's bank deposits totalling RMB68,887,000 (31 December 2013: RMB128,433,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit, bills payable and bank guarantees. 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 30 June 2014, the Group's bank loans and overdrafts amounted to RMB153,522,000 (31 December 2013: RMB170,873,000), other than a HKD45,000,000 (equivalent to RMB35,719,000) two year term loan and RMB18,456,000 three-year term loans for capital expenditure, the remaining is repayable within one year. Apart from the term loans dominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 1.98% to 6.15% per annum. At 30 June 2014, the Group did not have secured bank loan (31 December 2013: Nil). As of 30 June 2014, bank loans amounting to RMB153,519,000 (31 December 2013: RMB169,368,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2013: zero times) as the Group retained a net cash balance of RMB1,107,415,000 (31 December 2013: RMB1,491,255,000). The decrease in net cash balance is mainly attributable to the capital expenditure during the period and the dividend payment in late June. Apart from this, the management dedicates its effort to continuously improve the cash management to minimise unnecessary finance cost. As a result, bank loans recorded a reduction at 30 June 2014. The Group's interest coverage was 98.7 times for the period (corresponding period in 2013: 73.7 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash used in operating activities amounted to RMB41,096,000 (corresponding period in 2013: RMB1,076,000). The Group drew bank loans of RMB205,341,000 (corresponding period in 2013: RMB234,207,000) and repaid RMB222,319,000 (corresponding period in 2013: RMB316,696,000). A payment of final dividend in respect of the financial year 2013 were approximately RMB180,471,000. In addition, cash proceeds amounted to RMB12,183,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 30 June 2014, total assets of the Group amounted to RMB9,608,799,000 (31 December 2013: RMB9,560,178,000) while total liabilities were RMB4,249,923,000 (31 December 2013: RMB4,551,508,000). The net asset value rose by 7.0% to RMB5,358,876,000 (31 December 2013: RMB5,008,670,000) which was mainly attributable to the net profit of RMB514,467,000, but offset by dividend payment of RMB180,471,000 and exchange difference on translation of financial statements denominated in foreign currencies of RMB970,000 for the period. As a result, the net asset value per share increased to RMB2.828 at 30 June 2014 from RMB2.649 at 31 December 2013.

Contingent liabilities

At 30 June 2014, the Group did not have any significant contingent liabilities.

Capital commitments

At 30 June 2014, the Group had contracted but not provided for capital commitments of RMB138,755,000 (31 December 2013: RMB49,198,000). As of 30 June 2014, the Group did not have authorised but not contracted for capital commitments (31 December 2013: Nil).

Foreign exchange exposure

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

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. Concurrently, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 30 June 2014, the Group had total capital commitments of RMB138,755,000.

Future Plan and Strategies

Global activity and international trade continued to pick up in the first half of 2014. In a sign of the U.S. economy has been gaining strength, the U.S. Federal Reserve planned to end bond purchases in October 2014. For China, the country recorded a 7.4% growth of GDP in the first half of 2014. The Chinese government will continue to implement prudent monetary policies and maintain its overall liquidity stable. According to the projections of the International Monetary Fund (IMF) in July 2014, IMF lowered its GDP growth forecast for the year 2014, for China growth to be 7.4% and the global growth to be 3.4%, down 0.1% and 0.3% respectively from IMF's estimate in January 2014.

Although the world economy has been undergoing a gradual recovery, yet the growth outlook for 2014 is lower than previously forecasted. With the Chinese government's expectation of a stable economic growth in the coming future, the Group remains prudently optimistic about the outlook of the sectors it is engaged in. The Group strives to become a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries.

In the first half of 2014, China consumed approximately 88.7 billion cubic metres ("bcm") of natural gas, representing an increase of 8.9% over the same period last year. During the period, China has also reported an increase of 14.4% in natural gas import to approximately 28.3 bcm, in which LNG import saw a growth of 13.9%. The State Council of China announced a series of measures to support the growth of environmental and energy conservation sectors in 2013. According to the International Energy Agency (IEA) forecasts, between 2012 and 2035 China will spend about USD240 billion on gas infrastructure relating to transmission and distribution and the LNG supply chain. Due to the concern for air pollution, cost saving and the promotion of natural gas as vehicle fuel by China's oil and gas enterprises, the Group believes that the demand for natural gas application equipment will resume a continuous growth in the long run. Furthermore, the country's LNG vessel market will take off with a favourable subsidies policy announced in April 2014. The potential demand for on-board LNG fuel tanks, LNG refueling equipment for LNG vessels and related equipment present business opportunities for the Group. The IEA projected the overall Chinese natural gas demand to be 315 bcm in 2019, a near-doubling increase over 2013. The Chinese government forecasted that the country's natural gas consumption will reach 420 bcm by 2020.

Embracing the Chinese government's plan to boost natural gas consumption with significant resources being invested in the natural gas industry, the Group's new plants in Shijiazhuang and Langfang of Hebei province and Bengbu of Anhui province have come into operation gradually from the third quarter of 2012 which enhanced its production capacity and competitiveness. The Group will further enhance its production capacity mindfully for coping with the industry's future development.

The bright prospects of the energy equipment market will unavoidably attract more competitors. To outperform the competitors, a clear positioning and a long-term strategic plan are vital for the Group. As one of the key objectives of its five-year strategic development plan, the Group will continue to expand its core business and strengthen its core competitiveness to further consolidate its leading market position in equipment manufacturing. In addition, the Group has been proactively seeking new revenue sources to attain long-term and healthy growth. The Group's R&D team will play an indispensable role in achieving the above, not only through optimising product design of existing products but also launching new products with advanced technology.

Developing the Group's own ability to offer turnkey engineering services is one of its important strategies. With over 10 years' experience and the advanced qualifications in design and project engineering possessed by YPDI, the Group will step up its effort in exploring more turnkey projects and largely focus on the development of cryogenic tanks, refueling station projects, small and medium scale liquefaction, petrochemical gas storage, gas processing projects, chemical spherical tanks and special vessels for nuclear energy. As announced by the Company on 30 June 2014, YPDI has acted as the lead contract party for the provision of EPC (engineering, procurement and construction) services in the Zhejiang Zhoushan LNG receiving and refilling station project. The Group expected that YPDI will accumulate EPC project reference and involve in more EPC projects in the future.

The Group's chemical equipment segment will remain committed in maintaining its leading position in tank container manufacturing business by controlling production costs, improving quality and enhancing operational efficiency. To pursue more business opportunities, the segment will input more resources to the development of special tank containers and exploration of more business opportunities especially in China through proactive marketing strategies.

The outlook of the global liquid food industry is still positive, especially in developing countries like China. With the anticipation of a steady growth of the industry, the Group's liquid food equipment arm will continue to implement extension strategies to broaden its customer base. As announced by the Company on 10 July 2014 and subject to approval by the independent shareholders, the Group targeted to enhance its production capability and further develop its liquid food equipment business in China, through the acquisition of Holvrieka (China) Co., Ltd., a company that produces and sells tanks for the liquid food industry as well as provides turnkey solution in brewing in China and other Asian countries.

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

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

Confronted with economic uncertainties, extra efforts will be put into implementing a number of stringent cost control measures and internal control policies to maintain the Group's competitiveness. The Group will continue to control its working capital by tightening inventory level and trade receivables.

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

Meanwhile, the Group will continue its acquisition strategy and consider expansion opportunities if they are a good strategic fit and available at a right price. The Group will maintain sufficient liquidity to safeguard future business expansions.

The Group is delighted to have received the following recognitions during the period: CIMC Enric ranked 439 in the list of China's Fortune 500 Companies released by Fortune China magazine in July 2014; and CIMC Enric ranked 91 in the list of 100 Mainland Enterprises Listed in Hong Kong Ranking released by Yazhou Zhoukan magazine in August 2014.

Influenced by the Chinese macroeconomic situation and natural gas price reform, the development of the Group's energy equipment business was slower than expected, which was mainly attributable to the slowdown in demand for on-vehicle LNG fuel tanks, CNG products and small-scale liquefaction equipment as well as the delays in LNG engineering projects. Nevertheless, with the launch of the natural gas price reform by the National Development and Reform Commission as scheduled in the second half of 2014, the Group believes that the delayed LNG projects will resume their growth momentum. China's natural gas demand is continuously growing, the natural gas industry being an important clean energy in China will maintain a continuous growth in the future. The Group remains confident in the long-term development of its energy equipment business, with an expectation of more ways of applying natural gas in the future, such as natural gas applications in vessels. The Group has accumulated relevant technological capabilities, along with expansion of production capacity, the Group will be able to seize business opportunities when the market emerges.

Thanks to the shareholders, customers, suppliers and business partners for their trust and support and thanks to the management and employees for their dedication and good work. The Group is well prepared to cope with the challenges ahead, grasp business opportunities and bring long-term returns to shareholders.

Supplementary Information

Directors' Interests in Shares

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Number of shares held	% of issued share capital <i>(Note 1)</i>
Zhao Qingsheng	Beneficial owner	214,000	0.01%

Note: The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2014, which was 1,895,263,522.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009, 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006 (the "Share Option Scheme" or the "Scheme"). Details of which were set out under the section headed "Share Options" on pages 42 to 43.

Long positions in the shares/underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group")	Zhao Qingsheng	Beneficiary of a trust (Note 1)	3,350,000	1.52% (Note 2)
	Gao Xiang	Beneficiary of a trust (Note 1)	1,350,000	0.61% (Note 2)
	Jin Jianlong	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
	Yu Yuqun	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
China International Marine Containers (Group) Co., Ltd. ("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:

- 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 212,540,000 units were allocated as at 30 June 2014. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,350,000 units, 1,350,000 units, 2,350,000 units and 2,350,000 units allocated respectively. CIMC Vehicle Group is controlled by CIMC as to 80%.
- The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2014, which was 220,700,000.
- Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB11.35 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.
- The percentage is calculated based on the total number of share capital of CIMC in issue as at 30 June 2014, which was 2,664,588,601.

Save as disclosed above, as at 30 June 2014, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 30 June 2014, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2014, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Number of shares held	% of issued share capital (Note 1)
CIMC	Interest of controlled corporation	1,322,335,645 (Note 2)	69.77%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 (Note 3)	10.06%
	Beneficial owner	1,131,632,645	59.71%
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 (Note 3)	10.06%
The Capital Group Companies, Inc.	Interest of controlled corporation	114,599,000	6.05%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2014, which was 1,895,263,522.
2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,131,632,645 ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.
3. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is directly owned by CIMC HK as to 100%.

Save as disclosed above, as at 30 June 2014, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company has adopted the Share Option Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company 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. Details of the terms thereof are set out in the Annual Report 2013.

As at 30 June 2014, share options were granted and accepted by the respective participants under the Scheme to subscribe for a total of 120,370,000 ordinary shares of HK\$0.01 each in the capital of the Company. During the six months ended 30 June 2014, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period	Number of share options				outstanding at 30 June 2014
			outstanding at 1 January 2014	granted during the period	exercised during the period	lapsed during the period	
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
	05/06/2014	05/06/2014–04/06/2024	–	500,000	–	–	500,000
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	500,000
	05/06/2014	05/06/2014–04/06/2024	–	400,000	–	–	400,000
Jin Jianlong	11/11/2009	11/11/2010–10/11/2019	800,000	–	–	–	800,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010–10/11/2019	698,000	–	–	–	698,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010–10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Wong Chun Ho	11/11/2009	11/11/2010–10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	300,000
	05/06/2014	05/06/2014–04/06/2024	–	300,000	–	–	300,000
			<u>7,248,000</u>	<u>2,700,000</u>	<u>–</u>	<u>–</u>	<u>9,948,000</u>
Employees							
	11/11/2009	11/11/2010–10/11/2019	11,946,000	–	(2,334,000)	(90,000)	9,522,000
	28/10/2011	28/10/2013–27/10/2021	27,170,000	–	(1,710,000)	(390,000)	25,070,000
	05/06/2014	05/06/2014–04/06/2024	–	31,870,000	–	–	31,870,000
Other participants							
	11/11/2009	11/11/2010–10/11/2019	9,130,000	–	(360,000)	–	8,770,000
	28/10/2011	28/10/2013–27/10/2021	3,144,000	–	(154,000)	–	2,990,000
	05/06/2014	05/06/2014–04/06/2024	–	3,850,000	–	–	3,850,000
Total			<u>58,638,000</u>	<u>38,420,000</u>	<u>(4,558,000)</u>	<u>(480,000)</u>	<u>92,020,000</u>

Notes:

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

Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable from 11 November 2010 and up to 10 November 2019; and the remaining 50% of which become exercisable from 11 November 2011 and up to 10 November 2019. The exercise price of all the options granted is HKD4.00 per share.

2. Regarding the share options granted on 28 October 2011:

Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 28 October 2013 and up to 27 October 2021; 30% of which become exercisable from 28 October 2014 and up to 27 October 2021; and the remaining 30% of which become exercisable from 28 October 2015 and up to 27 October 2021. The exercise price of all the options granted is HKD2.48 per share.

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

Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per share. The valuation of fair value of the options granted was measured based on a binomial option pricing model. The fair value per share on the date of grant was approximately HKD5.90.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2014 was approximately HKD12.27 per share.

As at the date of this report, a total of 16,075,220 number of options, representing 0.85% 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 107,995,220 shares, representing 5.70% 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 six months ended 30 June 2014.

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 have complied with the required standard set out in the Model Code in their securities transactions throughout the six months ended 30 June 2014.

Corporate Governance

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

The latest corporate governance report of the Company is set out in the Annual Report 2013.

Audit Committee and Other Board Committees

The Audit Committee comprises three Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2014.

In addition, the Board has established a Remuneration Committee and a Nomination Committee. Each of the committees has a majority of Independent Non-executive Directors.

Full terms of reference of the above-mentioned committees are available on request or on the websites of Hong Kong Exchanges and Clearing Limited and the Company respectively.

Biographical Details of Directors

The biographical details of Directors can be referred to the Annual Report 2013.

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 report, the Board consists of Mr. Zhao Qingsheng (*Chairman*), Mr. Gao Xiang (*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

Zhao Qingsheng

Chairman

Hong Kong, 20 August 2014



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