

# 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



**2016**  
INTERIM REPORT  
中期報告



## Vision 願景

To be a world-leading manufacturer of specialised equipment and provider of project engineering services and integrated solutions for 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、項目工程服務和整體解決方案供應商。

## Mission 使命

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

為全球能源、化工、液態食品裝備行業的技術進步和產業發展，為公司利益相關者的價值最大化，為人類生活更加綠色、清潔、美好做出貢獻。

## About Us 關於我們

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

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

中集安瑞科於2004年成立，自2005年在香港聯交所上市，為中集集團成員之一。

我們在中國、荷蘭、德國、比利時、丹麥及英國等國家擁有生產基地和研發中心，形成了中歐互動、互為支持的產業格局。我們的營銷網絡遍布全球。

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## Financial Highlights

	<b>As at 30 June 2016 RMB'000</b>	As at 31 December 2015 RMB'000	+/-
<b>FINANCIAL POSITION</b>			
Total assets	<b>12,586,199</b>	12,312,226	+2.2%
Net assets	<b>5,296,812</b>	6,465,472	-18.1%
Net current assets	<b>3,924,393</b>	4,398,419	-10.8%
Cash and cash equivalents	<b>2,583,942</b>	2,035,950	+26.9%
Bank loans and other borrowings	<b>2,440,903</b>	1,748,070	+39.6%
Gearing ratio <sup>1</sup>	<b>46.1%</b>	27.0%	+19.1 ppt
<b>For the six months ended 30 June</b>			
	<b>2016 RMB'000</b>	2015 RMB'000	+/-
<b>OPERATING RESULTS</b>			
Revenue	<b>3,737,502</b>	4,163,049	-10.2%
Gross profit	<b>669,970</b>	710,160	-5.7%
EBITDA	<b>427,416</b>	470,224	-9.1%
Profit from operations	<b>314,288</b>	371,726	-15.5%
(Loss)/profit attributable to equity shareholders	<b>(1,001,960)</b>	288,499	-447.3%
<b>PER SHARE DATA</b>			
(Loss)/earnings per share – Basic	<b>(RMB0.517)</b>	RMB0.149	-447.0%
(Loss)/earnings per share – Diluted	<b>(RMB0.517)</b>	RMB0.147	-451.7%
Net asset value per share	<b>RMB2.736</b>	RMB3.154	-13.3%
<b>KEY STATISTICS</b>			
GP ratio	<b>17.9%</b>	17.1%	+0.8 ppt
EBITDA margin	<b>11.4%</b>	11.3%	+0.1 ppt
Operating profit margin	<b>8.4%</b>	8.9%	-0.5 ppt
Return on equity (half year) <sup>2</sup>	<b>(17.5%)</b>	4.8%	-22.3 ppt
Interest coverage – times	<b>8.1</b>	51.0	-42.9
Inventory turnover days	<b>117</b>	101	+16
Debtor turnover days	<b>126</b>	133	-7
Creditor turnover days	<b>109</b>	97	+12

Notes:

- Gearing ratio = Bank loans and other borrowings/Total equity
- Return on equity = (Loss)/profit attributable to equity shareholders/Average shareholders' equity



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL REPORT  
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 report set out on pages 4 to 33, which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 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 report 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 report in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial report 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 report 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 report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 August 2016

# Consolidated Income Statement

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Revenue</b>	6	<b>3,737,502</b>	4,163,049
Cost of sales		<b>(3,067,532)</b>	(3,452,889)
<b>Gross profit</b>		<b>669,970</b>	710,160
Change in fair value of derivative financial instruments		<b>(2,312)</b>	6,644
Other revenue	7	<b>99,276</b>	80,366
Other income, net	7	<b>22,522</b>	3,202
Selling expenses		<b>(126,088)</b>	(132,272)
Administrative expenses		<b>(349,080)</b>	(296,374)
<b>Profit from operations</b>		<b>314,288</b>	371,726
Finance costs	8	<b>(44,310)</b>	(7,859)
Impairment provision	9	<b>(1,214,880)</b>	–
Share of post-tax loss of associates	13	<b>–</b>	(424)
<b>(Loss)/profit before taxation</b>	8	<b>(944,902)</b>	363,443
Income tax expenses	10	<b>(64,137)</b>	(69,442)
<b>(Loss)/profit for the period</b>		<b>(1,009,039)</b>	294,001
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,001,960)</b>	288,499
Non-controlling interests		<b>(7,079)</b>	5,502
<b>(Loss)/profit for the period</b>		<b>(1,009,039)</b>	294,001
<b>(Loss)/earnings per share</b>	11		
– Basic		<b>(RMB0.517)</b>	RMB0.149
– Diluted		<b>(RMB0.517)</b>	RMB0.147

The notes on pages 11 to 33 form an integral part of this interim financial report.

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 – unaudited

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>(Loss)/profit for the period</b>	<b>(1,009,039)</b>	294,001
<b>Other comprehensive income for the period</b>		
Items that may be reclassified to profit or loss:		
Currency translation differences	<b>(19,042)</b>	(48,878)
<b>Total comprehensive income for the period</b>	<b>(1,028,081)</b>	245,123
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(1,021,002)</b>	239,621
Non-controlling interests	<b>(7,079)</b>	5,502
<b>Total comprehensive income for the period</b>	<b>(1,028,081)</b>	245,123

The notes on pages 11 to 33 form an integral part of this interim financial report.

# Consolidated Balance Sheet

As at 30 June 2016 – unaudited

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,204,484	2,224,597
Construction in progress		131,352	114,297
Lease prepayments		435,533	440,661
Intangible assets		210,001	227,792
Investment in associates	13	4,000	4,000
Prepayment for acquisition of equity interests	14	–	178,634
Goodwill		351,284	232,871
Deferred tax assets		78,311	72,468
Other non-current assets		1,100	–
		<b>3,416,065</b>	3,495,320
<b>Current assets</b>			
Derivative financial instruments		212	–
Inventories	15	2,067,354	1,911,889
Trade and bills receivables	16	2,620,129	2,566,252
Deposits, other receivables and prepayments	17	1,376,454	1,515,067
Amounts due from related parties	25(c)	134,850	126,224
Restricted bank deposits	18(a)	387,193	661,524
Cash and cash equivalents	18(b)	2,583,942	2,035,950
		<b>9,170,134</b>	8,816,906
<b>Current liabilities</b>			
Derivative financial instruments		9,618	7,094
Bank loans	19	225,967	125,000
Loans from a related party	25(d)	690,000	690,000
Trade and bills payables	20	1,890,312	1,813,486
Other payables and accrued expenses		2,280,262	1,598,546
Amounts due to related parties	25(c)	93,824	114,631
Warranty provision		40,374	40,656
Income tax payable		15,154	28,874
Employee benefit liabilities		230	200
		<b>5,245,741</b>	4,418,487
<b>Net current assets</b>		<b>3,924,393</b>	4,398,419
<b>Total assets less current liabilities</b>		<b>7,340,458</b>	7,893,739

	<i>Note</i>	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Bank loans	19	<b>1,524,936</b>	933,070
Warranty provision		<b>43,743</b>	44,911
Deferred tax liabilities		<b>201,679</b>	171,887
Deferred income		<b>271,374</b>	276,754
Employee benefit liabilities		<b>1,914</b>	1,645
		<b>2,043,646</b>	1,428,267
<b>NET ASSETS</b>			
		<b>5,296,812</b>	6,465,472
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>17,742</b>	17,733
Reserves	22	<b>5,132,680</b>	6,294,270
<b>Equity attributable to equity shareholders of the Company</b>			
		<b>5,150,422</b>	6,312,003
Non-controlling interests		<b>146,390</b>	153,469
<b>TOTAL EQUITY</b>			
		<b>5,296,812</b>	6,465,472

The notes on pages 11 to 33 form an integral part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (Note 22(b))	RMB'000 (Note 22(c))	RMB'000	RMB'000 (Note 22(d))	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>	17,699	127,924	1,136,308	87,400	(282,819)	373,313	4,623,001	6,082,826	45,804	6,128,630
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	-	-	-	-	(48,878)	-	288,499	239,621	5,502	245,123
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 Service B.V. under common control combination	-	-	(11,737)	-	-	-	-	(11,737)	-	(11,737)
Equity-settled share-based transactions	-	-	-	27,372	-	-	-	27,372	-	27,372
Acquisition of a 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)
<b>Total contributions by and distributions to owners of the company, recognised directly in equity</b>	<b>27</b>	<b>13,570</b>	<b>(11,737)</b>	<b>23,010</b>	<b>-</b>	<b>5,015</b>	<b>(302,423)</b>	<b>(272,538)</b>	<b>1,443</b>	<b>(271,095)</b>
<b>At 30 June 2015</b>	<b>17,726</b>	<b>141,494</b>	<b>1,124,571</b>	<b>110,410</b>	<b>(331,697)</b>	<b>378,328</b>	<b>4,609,077</b>	<b>6,049,909</b>	<b>52,749</b>	<b>6,102,658</b>

Attributable to equity shareholders of the Company

	General							Non-controlling interests	Total equity	
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	reserve fund	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			(Note 22(b))	(Note 22(c))		(Note 22(d))				
<b>At 1 January 2016</b>	17,733	143,236	1,124,571	138,501	(330,020)	405,141	4,812,841	6,312,003	153,469	6,465,472
Loss for the period	-	-	-	-	-	-	(1,001,960)	(1,001,960)	(7,079)	(1,009,039)
Other comprehensive income	-	-	-	-	(19,042)	-	-	(19,042)	-	(19,042)
Total comprehensive income for the period	-	-	-	-	(19,042)	-	(1,001,960)	(1,021,002)	(7,079)	(1,028,081)
Issuance of shares in connection with exercise of share options	9	3,442	-	(1,024)	-	-	-	2,427	-	2,427
Equity-settled share-based transactions	-	-	-	19,889	-	-	-	19,889	-	19,889
Transfer to general reserve	-	-	-	-	-	8,275	(8,275)	-	-	-
2015 final dividend paid	-	-	-	-	-	-	(162,895)	(162,895)	-	(162,895)
<b>Total contributions by and distributions to owners of the company, recognised directly in equity</b>	<b>9</b>	<b>3,442</b>	<b>-</b>	<b>18,865</b>	<b>-</b>	<b>8,275</b>	<b>(171,170)</b>	<b>(140,579)</b>	<b>-</b>	<b>(140,579)</b>
<b>At 30 June 2016</b>	<b>17,742</b>	<b>146,678</b>	<b>1,124,571</b>	<b>157,366</b>	<b>(349,062)</b>	<b>413,416</b>	<b>3,639,711</b>	<b>5,150,422</b>	<b>146,390</b>	<b>5,296,812</b>

The notes on pages 11 to 33 form an integral part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Operating activities</b>			
Cash generated from operations		765,093	315,905
Income tax paid		(64,714)	(39,918)
Net cash generated from operating activities		700,379	275,987
<b>Investing activities</b>			
Payment for acquisition of property, plant and equipment and construction in progress		(77,679)	(131,386)
Payment for acquisition of intangible assets		(64)	(639)
Acquisition of a subsidiary, net of cash acquired		(119,494)	(3,508)
Prepayment for equity investment		–	(72,000)
Proceeds from disposal of property, plant and equipment		902	235
Interest received		19,207	7,837
Loans to SOE		(50,351)	–
Restricted bank deposits		(425,669)	–
Net cash used in investing activities		(653,148)	(199,461)
<b>Financing activities</b>			
Proceeds from new bank loans		748,235	141,157
Repayment of bank loans		(85,223)	(72,127)
Interest paid		(34,498)	(8,361)
Proceeds from issuance of ordinary shares		2,427	9,352
Dividends paid to Company's shareholders		(162,895)	(297,525)
Loans from a related party		630,000	100,000
Repayment of loans from a related party		(630,000)	–
Net cash generated from/(used in) financing activities		468,046	(127,504)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		515,277	(50,978)
Cash and cash equivalents at 1 January	18(b)	2,035,950	1,683,210
Effect of foreign exchange rate changes		32,715	(36,415)
<b>Cash and cash equivalents at 30 June</b>	18(b)	<b>2,583,942</b>	<b>1,595,817</b>

The notes on pages 11 to 33 form an integral part of this interim financial report.

# Notes To The Unaudited Interim Financial Report

## 1 General information

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

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

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

This condensed consolidated interim financial report was approved for issue on 22 August 2016.

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

### Key event

As disclosed in the 2015 Annual Report, an indirect wholly-owned subsidiary of the Company, CIMC Enric Investment Holdings (Shenzhen) Ltd. (“EIHL”), entered into an agreement (“Agreement”) on 27 August 2015 with SOEG PTE LTD (“SOEG”), Jiangsu Pacific Shipbuilding Group Co., Ltd. (“Jiangsu Pacific”) and Evergreen Group Co., Ltd. (“Evergreen”) (collectively, the “Vendors”), pursuant to which the Vendors agreed to sell and EIHL agreed to purchase 100% equity interest in SinoPacific Offshore & Engineering Co., Ltd. (“SOE”). Afterwards, the Company, SOE and Evergreen entered into a financial assistance framework agreement (“Financial Assistance Agreement”) which governed the financial assistance provided by the Group to SOE in the form of loans and guarantees.

On 1 June 2016, the Company announced that the Board considered certain conditions precedent in the Agreement cannot be fulfilled and the Vendors had breached certain material terms of the Agreement. EIHL delivered termination notices to the Vendors for, among other things, termination of the Agreement and requested for the return of the prepaid consideration of RMB178,634,000. On the same date, the Company delivered termination notices to SOE and Evergreen for, among other things, termination of the Financial Assistance Agreement and requested SOE to repay the loans of RMB482,052,000 and release the guarantees for bank loans of RMB1,000,000,000 provided by a subsidiary of the Company to, or in favour of, SOE.

Taking into account the negotiation between the Company, SOE and the Vendors and the Company’s knowledge of the financial position of SOE and the Vendors, the Company has made substantial provisions of approximately RMB1.21 billion in aggregate for the abovementioned prepaid consideration, loans and guarantees during the six months ended 30 June 2016. Further details are set out in Note 9.

## 2 Significant accounting policies

### (a) Basis of preparation of the interim financial report

This interim financial report for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### (b) Changes in accounting policies and disclosures

#### (i) New and amended standards adopted by the Group

There are no new or amended standards that are effective for the first time for the current accounting period that have a material impact on the Group and the Company.

#### (ii) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted:

	Effective for accounting periods beginning on or after
Amendments to HKAS 12, “Income Taxes”	1 January 2017
Amendments to HKAS 7 – “Statement of Cash Flows”	1 January 2017
HKFRS15 “Revenue from Contracts with Customers”	1 January 2018
HKFRS 9 “Financial Instruments”	1 January 2018
HKFRS 16 “Leases”	1 January 2019
Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined

### 3 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, except as described below, 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 2015.

#### **Provisions arising from financial guarantees provided to SOE**

Further to the terminations of the Agreement and the Financial Assistance Agreement, the Group has critically assessed the provisions that might be required for the financial guarantees provided to SOE in the form of the Group's bank deposits pledged for SOE's bank loans. Taking into consideration the latest financial position of SOE, its repayment intention and ability, the Group considered that it is probable that an outflow of economic benefits will be required to settle the obligation arising from the financial guarantees. A provision of RMB700,000,000 was made in this regard as at 30 June 2016 (Note 9(ii)).

### 4 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 2015.

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 2016				At 31 December 2015			
	Contractual undiscounted cash flow				Contractual undiscounted cash flow			
	Within			Carrying	Within			Carrying
	1 year	1 to 5	Total	amount	1 year	1 to 5	Total	amount
or on	years			or on	years			
demand				demand				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans	270,639	1,576,090	1,846,729	1,750,903	151,153	965,943	1,117,096	1,058,070
Bill payables, creditors and accrued expenses	2,547,020	-	2,547,020	2,547,020	2,454,648	-	2,454,648	2,454,648
Amounts due to related parties	818,979	-	818,979	783,824	825,767	-	825,767	804,631
	<b>3,636,638</b>	<b>1,576,090</b>	<b>5,212,728</b>	<b>5,081,747</b>	<b>3,431,568</b>	<b>965,943</b>	<b>4,397,511</b>	<b>4,317,349</b>

(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 2016, the Group's only 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) *Valuation techniques used to derive Level 2 fair values*

Level 2 financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

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

The carrying amounts of the financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and 31 December 2015.

## 5 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*

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the period 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,445,660	1,669,285	1,248,365	1,515,438	1,043,477	978,326	3,737,502	4,163,049
Inter-segment revenue	105	24	27,584	30,458	-	-	27,689	30,482
<b>Reportable segment revenue</b>	<b>1,445,765</b>	<b>1,669,309</b>	<b>1,275,949</b>	<b>1,545,896</b>	<b>1,043,477</b>	<b>978,326</b>	<b>3,765,191</b>	<b>4,193,531</b>
<b>Reportable segment profit (adjusted profit from operations)</b>	<b>24,749</b>	<b>113,823</b>	<b>172,319</b>	<b>179,477</b>	<b>142,443</b>	<b>99,206</b>	<b>339,511</b>	<b>392,506</b>

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At	At 31	At	At 31	At	At 31	At	At 31
	30 June	December	30 June	December	30 June	December	30 June	December
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Reportable segment assets</b>	<b>6,531,221</b>	<b>6,406,000</b>	<b>2,269,462</b>	<b>3,012,484</b>	<b>2,600,435</b>	<b>2,159,697</b>	<b>11,401,118</b>	<b>11,578,181</b>
<b>Reportable segment liabilities</b>	<b>2,677,208</b>	<b>2,612,186</b>	<b>672,990</b>	<b>593,277</b>	<b>1,591,370</b>	<b>944,180</b>	<b>4,941,568</b>	<b>4,149,643</b>

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Revenue</b>		
Reportable segment revenue	3,765,191	4,193,531
Elimination of inter-segment revenue	(27,689)	(30,482)
Consolidated revenue	<u>3,737,502</u>	<u>4,163,049</u>
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>(Loss)/Profit</b>		
Reportable segment profit	339,511	392,506
Elimination of inter-segment profit	(1,158)	(895)
Reportable segment profit derived from the Group's external customers	338,353	391,611
Finance costs	(44,310)	(7,859)
Unallocated operating expenses	(24,065)	(19,885)
Share of post-tax loss of associates	-	(424)
Impairment provision	(1,214,880)	-
Consolidated (loss)/profit before taxation	<u>(944,902)</u>	<u>363,443</u>
	At	At
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
<b>Assets</b>		
Reportable segment assets	11,401,118	11,578,181
Elimination of inter-segment receivables	(103,244)	(65,726)
	11,297,874	11,512,455
Deferred tax assets	78,311	72,468
Unallocated assets	1,210,014	727,303
Consolidated total assets	<u>12,586,199</u>	<u>12,312,226</u>

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Liabilities</b>		
Reportable segment liabilities	<b>4,941,568</b>	4,149,643
Elimination of inter-segment payables	<b>(103,244)</b>	(65,726)
	<b>4,838,324</b>	4,083,917
Income tax payable	<b>15,154</b>	28,874
Deferred tax liabilities	<b>201,679</b>	171,887
Unallocated liabilities	<b>2,234,230</b>	1,562,076
Consolidated total liabilities	<b>7,289,387</b>	5,846,754

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.

## 6 Revenue

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

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Sales of goods	<b>2,439,112</b>	2,853,059
Revenue from project engineering contracts	<b>1,298,390</b>	1,309,990
	<b>3,737,502</b>	4,163,049

## 7 Other revenue and other income, net

### (a) Other revenue

		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
Government grants	(i)	31,262	17,822
Other operating revenue	(ii)	46,892	54,707
Interest income from SOE	(iii)	9,909	–
Interest income from bank deposits		11,213	7,837
		<b>99,276</b>	<b>80,366</b>

- (i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government and the recognition of deferred government grants.
- (ii) Other operating revenue consists mainly of income earned from subcontracting service and the sale of scrap materials.
- (iii) Interest income from SOE represents the interest income derived from loans to SOE, with an interest rate of 4.85% per annum.

### (b) Other income, net

		Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Net loss on disposal of property, plant and equipment		(1,750)	(253)
Foreign exchange gain/(loss)		22,672	(1,676)
Other net income		1,600	5,131
		<b>22,522</b>	<b>3,202</b>

## 8 (Loss)/profit before taxation

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

### (i) Finance costs

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings	38,282	7,276
Bank charges	6,028	583
	<b>44,310</b>	<b>7,859</b>

### (ii) Other items

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation of property, plant and equipment	94,129	84,505
Amortisation of intangible assets	19,899	8,605
Amortisation of lease prepayments	5,128	5,201
Impairment provision for trade receivables	28,677	6,301
Reversal of impairment provision of trade receivables	(185)	(68)
Reversal of write-down of inventories	(4,378)	(10,807)
Research and development costs	67,744	64,209
Operating lease charges for property rental	5,122	7,960
Provision for product warranties	14,330	20,380
Equity-settled share-based payment expenses	19,889	27,372

## 9 Impairment provision

The amount represents the provisions for impairments in relation with the “Key event” mentioned in Note 1, which is analysed as below:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Impairment provision for prepaid consideration (i)	178,634	–
Impairment provision for loans to SOE (ii)	336,246	–
Impairment provision for bank deposits restricted as collateral for SOE's bank loans (ii)	700,000	–
	<b>1,214,880</b>	–

- (i) As disclosed in Note 1 “Key event” section, the Company has assessed the impairment risk of the prepaid consideration, taking into account the negotiation between the Company and the Vendors and the Company's knowledge of the financial position of the Vendors, and considered that there existed a significant doubt on the collectibility of the prepaid consideration. Therefore, a full provision of RMB178,634,000 was provided for the prepaid consideration during the six months ended 30 June 2016.
- (ii) The Company has performed an assessment on the impairment risks of the loans to SOE and the likely losses arising from the pledge of bank deposits for SOE's bank loans. After assessing SOE's current financial position, its future repayment ability and other alternative available resources, the Group has made a provision of RMB336,246,000 and RMB700,000,000 respectively for the loans to SOE and the restricted bank deposits during the six months ended 30 June 2016.

## 10 Income tax expenses

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax	46,160	44,398
Deferred income tax	17,977	25,044
	<b>64,137</b>	69,442

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 rate applicable to advanced and new technology enterprises of 15%.

Pursuant to the Tax Law, “Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management” and “Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies”, the Administration of Local Taxation of Shenzhen Municipality issued an approval under which certain foreign subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the six months ended 30 June 2016, no deferred withholding tax was provided for the distributable profits of PRC subsidiaries.

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.

## 11 (Loss)/earnings per share

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	<b>(1,001,960)</b>	288,499

	Six months ended 30 June	
	2016	2015
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,936,208,599</b>	1,933,055,176
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (note 21)	–	28,500,243
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>1,936,208,599</b>	1,961,555,419

No potential ordinary shares for the six months ended 30 June 2016 were dilutive since their conversion to ordinary shares would result in a decrease in loss per share.

## 12 Property, plant and equipment

During the six months ended 30 June 2016, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB60,663,000 (six months ended 30 June 2015: RMB79,675,000). Items of property, plant and equipment with net book value totalling RMB2,652,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB6,446,000), resulting in a loss of RMB1,750,000 (six months ended 30 June 2015: RMB253,000).

## 13 Investment in associates

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At 1 January	4,000	4,457
Share of post-tax loss of associates	–	(424)
Exchange adjustment	–	(33)
At 30 June	4,000	4,000

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

## 14 Prepayment for acquisition of equity interests

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	Prepayment for acquisition of equity interests	178,634
Less: provision for impairment (i)	(178,634)	–
	–	178,634

- (i) As disclosed in Note 1 “Key event” section and Note 9, the Company made a full provision of RMB178,634,000 for the prepaid consideration as at 30 June 2016.

## 15 Inventories

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	610,271	601,520
Consignment materials	72,463	61,023
Work in progress	669,758	527,424
Finished goods	714,862	721,922
	<b>2,067,354</b>	<b>1,911,889</b>

## 16 Trade and bills receivables

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current	<b>1,436,691</b>	1,442,618
Less than 1 month past due	<b>171,653</b>	138,039
1 to 3 months past due	<b>129,030</b>	407,001
More than 3 months but less than 12 months past due	<b>513,848</b>	291,679
More than 12 months past due	<b>368,907</b>	286,915
Amounts past due	<b>1,183,438</b>	1,123,634
	<b>2,620,129</b>	<b>2,566,252</b>

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.

## 17 Deposits, other receivables and prepayments

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Loans to SOE (i)	144,105	430,000
Advances to suppliers	156,775	189,982
Deposits for tenders, contract work and equipment purchase	129,400	99,057
Staff advances	9,073	6,159
Deductible input value-added tax ("VAT")	21,474	19,700
Prepayments for services	27,787	6,095
Amount due from customers for contract work	808,554	746,919
Others	79,286	17,155
	<b>1,376,454</b>	<b>1,515,067</b>

- (i) The Group's gross outstanding balance of loans granted to SOE was RMB480,351,000 at 30 June 2016. As disclosed in Note 1 "Key event" section and Note 9, the Group made a provision of RMB336,246,000 for the loans to SOE; therefore, the net balance of loans granted by the Group to SOE was RMB144,105,000 at 30 June 2016.

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

## 18 Restricted bank deposits and cash and cash equivalents

### (a) Restricted bank deposits

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Deposits for banking facilities	87,193	111,524
Deposits for SOE's bank loans (i)	1,000,000	550,000
Less: provision for impairment (i)	(700,000)	-
	<b>387,193</b>	<b>661,524</b>

- (i) As disclosed in Note 1 "Key event" section and Note 9 (ii), the Group made a provision of RMB700,000,000 for the pledged bank deposits as at 30 June 2016.

(b) *Cash and cash equivalents*

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Cash in hand and demand deposits	<b>2,582,970</b>	2,035,071
Restricted bank deposits within three months of maturity	<b>972</b>	879
	<b>2,583,942</b>	2,035,950

**19 Bank loans**

At 30 June 2016, the bank loans were repayable as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 1 year or on demand	<b>225,967</b>	125,000
After 1 year but within 2 years	<b>172,411</b>	933,070
After 2 years but within 3 years	<b>1,352,525</b>	–
	<b>1,524,936</b>	933,070
	<b>1,750,903</b>	1,058,070

As at 30 June 2016, all the bank loans were unsecured. The annual rate of interest charged on the bank loans ranged from 2.33% to 4.85% for the six months ended 30 June 2016 (six months ended 30 June 2015: 2.33% to 6%).

**20 Trade and bills payables**

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Trade creditors	<b>1,672,736</b>	1,539,170
Bills payables	<b>217,576</b>	274,316
	<b>1,890,312</b>	1,813,486

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

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 3 months	<b>1,431,759</b>	1,605,635
3 months to 12 months	<b>370,973</b>	137,303
Over 12 months	<b>87,580</b>	70,548
	<b>1,890,312</b>	1,813,486

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

## 21 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 were 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 2016 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 3.36 years. As at 30 June 2016, 20,414,000 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 2016 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 5.33 years. As at 30 June 2016, 26,644,000 of these options were outstanding and exercisable.

On 5 June 2014, 38,420,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2016 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 7.93 years. As at 30 June 2016, 36,740,000 of these options were outstanding, of which 14,696,000 options were exercisable, 11,022,000 options and 11,022,000 options will become exercisable on 5 June 2017 and 2018, respectively.

## 22 Capital, reserves and dividends

### (a) Dividends

Final dividend of RMB162,895,000 in relation to the year ended 31 December 2015 was paid in June 2016 (2015: RMB297,525,000).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: nil).

### (b) Contributed surplus

The contributed surplus of the Group includes the difference between:

- (a) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005;
- (b) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and the nominal value of the shares issued by the Company in exchange for the acquisition of certain subsidiaries during the year ended 31 December 2009;
- (c) the registered capital of Nantong Transport acquired of RMB69,945,550; and the aggregate cash consideration paid by the Company of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012;
- (d) the registered capital of NCLS acquired of RMB324,539,380; and the nominal value of the 39,740,566 ordinary shares issued by the Company in exchange for the acquisition of NCLS during the year ended 31 December 2014; and
- (e) the nominal value of the share capital of Burg acquired of RMB1,263,000; and the aggregate cash consideration paid by the Company of RMB11,737,000 for the acquisition of Burg during the six months ended 30 June 2015.

### (c) Capital reserve

Capital reserve comprises the portion of the grant date fair value of unexercised share options granted to directors, employees and other eligible persons of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

### (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.

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

## 23 Commitments

- (a) Capital commitments outstanding at 30 June 2016 not provided for in the interim financial report were as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Contracted for		
– Production facilities	<b>58,694</b>	69,959
– Acquisition of equity interest (i)	<b>–</b>	415,512
	<b>58,694</b>	485,471

- (i) As disclosed in Note 1 “Key event” section, the acquisition of SOE has been terminated thus the commitment for acquisition of equity interest was nil as at 30 June 2016.
- (b) At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within 1 year	<b>7,178</b>	9,164
After 1 year but within 5 years	<b>10,878</b>	10,348
After 5 years	<b>8,550</b>	9,519
	<b>26,606</b>	29,031

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

## 24 Contingencies

As at 30 June 2016, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB630,227,000, of which balance of performance and quality guarantees was RMB405,150,000 in aggregate and balance of advance payment guarantees was RMB225,077,000.

## 25 Related party transactions

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

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Nature of transactions</b>			
Sales	(i)	<b>96,688</b>	197,442
Purchases	(ii)	<b>42,773</b>	58,282
Comprehensive charges	(iii)	<b>197</b>	471
Processing charges	(iv)	<b>8,314</b>	10,635
Processing income	(v)	<b>2,016</b>	3,112
Office services income	(vi)	<b>5,865</b>	7,159
Loans from a related party	(vii)	<b>630,000</b>	100,000
Repayment of loans from a related party	(vii)	<b>630,000</b>	–
Loan interest expenses	(vii)	<b>19,859</b>	4,589
Other financial service charges	(viii)	<b>315</b>	104
Deposit service	(ix)	<b>189,352</b>	198,967
Interest income from deposits	(ix)	<b>1,712</b>	903

- (i) Sales to related parties mainly represent the sale of products to related parties.
- (ii) Purchases from related parties mainly represent purchases of raw materials for production.
- (iii) Comprehensive charges mainly represent services including staff messing, medical expenses and general services provided to the Group by related parties.
- (iv) Processing charges mainly represent processing services, site leasing and other related services provided to the Group by related parties.
- (v) Processing income mainly represent processing services of welding, heat treatment and testing provided to related parties by the Group.
- (vi) Office services income mainly represents provision of office services including staff catering, transportation services, site leasing and general office services to related parties.
- (vii) The loans are unsecured, interest bearing from 4.35% to 4.65% (2015: 4.90% to 5.25%) per annum and are repayable within one year.

- (viii) Other financial service charges mainly represent commercial notes acceptance and discounting service provided to the Group by a related party .
- (ix) Deposit service represent deposit acceptance service provided by a related party to the Group. The deposits bear interest and can be withdrawn on demand.

(b) *Transactions with the Group's associates*

Nature of transactions

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Lease income (i)	-	1,521

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

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables for products sold	134,850	126,224
Trade payables for raw material purchased and receipts in advance for sales	(93,824)	(114,631)

- (i) The outstanding balances with these related parties are unsecured, interest free and repayable on demand.
- (ii) No provisions for bad or doubtful debts have been made in respect of these outstanding receivable balances.

(d) *Loans from a related party*

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Loans from a related party	690,000	690,000

The loans are unsecured, interest bearing from 4.35% to 4.65% (2015: 4.35% to 4.90%) per annum and are repayable within a year.

(e) *Deposits placed with a related party*

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Deposits	<b>189,352</b>	359,499

- (i) The deposits bear interest and can be withdrawn on demand.
- (ii) The deposits are included as part of the Group's cash and equivalents.

(f) *Immediate and ultimate controlling party*

As at 30 June 2016, the Directors consider the immediate 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 2016, 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.

## 26 Business Combination

- (a) On 3 June 2016, the Group acquired 100% of the issued shares in Briggs Group Limited ("Briggs"), a group that is principally engaged in engineering, process engineering and sale of equipment and process control systems in the brewing, beverage, distilling, food, pharmaceutical, health and beauty and bio-fuel industries, project management and consulting services, for a cash consideration of GBP 23,000,000 (approximately RMB218,194,000) from third parties.
- (b) The following table summarises the considerations paid and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition dates.

	RMB'000
Purchase consideration	
– Cash paid	213,631
– Payable	4,563
Total purchase consideration	<b>218,194</b>

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value (i) RMB'000
Cash and cash equivalents	94,137
Property, plant and equipment	5,512
Inventories	1,313
Trade and bills receivables	40,670
Other receivables deposits and prepayments	9,834
Trade and bills payables	(23,508)
Other payable and accrued expenses	(30,890)
Income tax payable	(4,715)
	<hr/>
Total identifiable net assets	92,353
	<hr/>
Goodwill	125,841
	<hr/>
	218,194
	<hr/> <hr/>
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the six months ended 30 June 2016)	3,289
	<hr/> <hr/>
Outflow of cash to acquire business, net of cash acquired	
– cash consideration paid	213,631
– cash and cash equivalents in subsidiary acquired	(94,137)
	<hr/> <hr/>
Cash outflow on acquisition	119,494
	<hr/> <hr/>

- (i) The Group has commissioned an independent appraisal for all identifiable assets and liabilities acquired in the combination. However, by the date of this interim financial report, the appraisal was not yet finalised. Therefore the initial accounting for the business combination is incomplete and the disclosed fair values for the identifiable assets, liabilities and goodwill are provisional. The completion of the appraisal may result in differences in the fair values of all identifiable assets, liabilities and goodwill recognised.

# 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 for 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 “CIMC Tank”.

### *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”.

## Revenue

With international oil price remained weak, the price advantage of natural gas as an alternative fuel over oil has not improved significantly in comparison with the first half of 2015. Therefore, the market demand for natural gas equipment continued to decline during the period, and the Group's energy equipment segment recorded a fall in revenue in the first half of 2016. Despite continuous growth in special tank containers' revenue, the weak demand for standard tank containers caused the chemical equipment segment to post a decrease in revenue during the period. Increase in order intake slightly boosted the liquid food equipment segment's revenue during the period. As a result, the revenue for the first half of 2016 slipped by RMB425,547,000 to RMB3,737,502,000 (corresponding period in 2015: RMB4,163,049,000). The performance of each segment is discussed below:

During the first half of 2016, the energy equipment segment's revenue fell by 13.4% to RMB1,445,660,000 (corresponding period in 2015: RMB1,669,285,000) because of a decline in the demand for natural gas equipment in general which was caused by a stall in oil-to-gas conversion 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 particular the sales volume of CNG trailers, on-vehicle LNG fuel tanks and LNG refueling stations saw various degrees of decrease comparing with the same period last year. The segment remains the top grossing segment and accounted for 38.7% (corresponding period in 2015: 40.1%) of the Group's total revenue.

The chemical equipment segment's revenue decreased by 17.6% to RMB1,248,365,000 (corresponding period in 2015: RMB1,515,438,000) due to a fall in the sales volume of standard tank containers which more than offset an increase in demand for special tank containers during the period. The segment made up 33.4% of the Group's total revenue (corresponding period in 2015: 36.4%).

The liquid food equipment segment's revenue posted a moderate rise of 6.7% to RMB1,043,477,000 during the period (corresponding period in 2015: RMB978,326,000) mainly because of increase in order intake. The segment accounted for 27.9% of the Group's total revenue (corresponding period in 2015: 23.5%).

## Gross profit margin and profitability

The energy equipment segment's gross profit margin ("**GP margin**") fell to 16.9% (corresponding period in 2015: 18.8%). The decline is mainly the result of a change in the product mix with LNG products increasing their revenue contribution as well as a fall in design and engineering projects' GP margin during the period. As for the chemical equipment segment, its GP margin saw a rise from 15.0% in the same period last year to 16.0% during the period. This is attributable to a change in product mix with special tank containers further increasing their revenue contribution during the period. The GP margin for liquid food equipment segment rose to 21.6% during the period due to increased operational efficiency in project execution (corresponding period in 2015: 16.9%).

While the energy equipment segment's GP margin fell, the rise of both chemical and liquid food equipment segments' GP margins caused the Group's overall GP margin to increase by 0.8 percentage point to 17.9% (corresponding period in 2015: 17.1%).

Profit from operations expressed as a percentage of revenue decreased by 0.5 percentage point to 8.4% (corresponding period in 2015: 8.9%) which is mainly attributable to selling expenses declined at a slower rate than revenue and an increased administrative expenses during the period.

## Key developments

### **Termination of acquisition of SOE**

On 27 August 2015, the Group entered into agreements to acquire the entire equity interests in SinoPacific Offshore & Engineering Co., Ltd. ("**SOE**"). On 1 June 2016, as certain conditions precedent under the agreements had not been fulfilled or waived, the Board decided not to proceed with the acquisition. Further details in relation to the termination of acquisition can be referred to the announcements of the Company dated 1 June 2016 and 3 June 2016.

Taking into account the negotiation between the Company, SOE and the vendors and the Company's knowledge of the financial position of SOE and the vendors, and from the prudent perspective, the Company made substantial provisions of approximately RMB1.21 billion in aggregate for the first instalments of consideration, relevant consideration prepayment, loans and guarantees in the financial period for the six months ended 30 June 2016 (the "**Provisions**"). Accordingly, the Provisions resulted in a substantial loss of the Group for the period. The Board considers that the Provisions are primarily non-recurring in nature.

### **Acquisition of Briggs**

On 3 June 2016, the Group entered into an agreement to acquire the entire equity interests in Briggs Group Limited ("**Briggs**"), which engages in engineering, process engineering and sale of equipment and process control systems in the brewing, beverage, distilling, food, pharmaceutical, health and beauty and biofuels industries, together with project management and consulting services to those markets. The acquisition completed in the first half of 2016.

The acquisition provides the Group with the opportunity to extend its product and service portfolios in the liquid food industry. It will strengthen the Group in the market by diversification in products and services and geographical region. Synergies are expected as the business of Briggs is complementary to the existing business of the Group's liquid food equipment segment. The acquisition also creates opportunities for the Group to diversify its operation into the non-beer sectors of the liquid food industry, as well as biofuels and pharmaceutical industries. Moreover, as Briggs has operations in the United Kingdom and the United States, the acquisition is expected to strengthen the Group's presence in these countries.

## Review by business segments

### **Energy equipment**

#### *Operational performance*

During the first half of 2016, the energy equipment segment's revenue was RMB1,445,660,000 (corresponding period in 2015: RMB1,669,285,000). The segment's operating profit for the period fell to RMB24,749,000 (corresponding period in 2015: RMB113,823,000) which was mainly caused by a lower revenue level while administrative expenses increased during the period.

#### *Research and development*

In the first half of 2016, the energy equipment segment mainly carried out projects involving the development of LNG marine cargo tank, LNG full capacity tank, LNG refueling station for the international market, a new series of cryogenic tank and decontamination system for nuclear power plant. Some of the newly developed products have been launched to the market and contributed to the Group's revenue.

To meet the evolving needs of customers and reinforce the Group's competitiveness, the segment will continue to devote to the upgrading and serialising of its LNG, LPG and CNG storage and transportation products and the development of storage and transportation equipment for adsorbed natural gas.

The segment has also actively involved in R&D projects for the international market, including LNG refueling station and skid-mounted equipment for small and medium scale natural gas liquefaction. Amid a weak oil price environment, the R&D team has also devoted to developing various LPG equipment for the international market, such as LPG spherical tank conforming to international standards, LPG electricity generation and supply system.

To facilitate healthy and sustainable development of the Group, the segment has focused on the R&D projects for new businesses, including LNG and CNG equipment for marine application, storage and transportation of nuclear power, as well as the R&D projects for biomass energy. In addition, the R&D team plays an important role for developing EPC (engineering, procurement and construction) services and creating additional value to customers.

#### *Future plans and strategies*

Although China's natural gas industry will continue to face pressure in the near term, the Group strongly believes that the prospect of the industry is broadly positive in the long run. The Group remains well positioned and believes that superior industry qualifications, good reputation, sound track record, thorough competitor analysis, differentiated products and services, strong sales and marketing team and advanced R&D capability, all of which the Group possesses, will become the decisive competitive advantages over rivals.

The energy equipment segment remains committed to providing high quality and lightweight products to customers. With the Group's well-established brands in the energy equipment market, the segment is devoted to reinforce the market share of its core products in China. The segment endeavours to further reduce production costs and enhance production efficiency through implementation of manufacturing technology improvement programmes, continuous product development and product upgrades, as well as procurement management and control.

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

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

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

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

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

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

### ***Chemical equipment***

#### ***Operational performance***

During the first half of 2016, the chemical equipment segment's revenue was RMB1,248,365,000 (corresponding period in 2015: RMB1,515,438,000). The segment's operating profit for the period decreased slightly to RMB172,319,000 (corresponding period in 2015: RMB179,477,000) which was mainly due to the slight decline in revenue during the period.

#### ***Research and development***

The chemical equipment segment is committed to provide new logistics solutions to customers and has devoted to the R&D of different types of tank containers to meet customer needs. During the first half of 2016, the segment mainly focused on R&D projects for new type of high-performance 40-foot LNG tank container and 20-foot cryogenic tank container, both of which are conforming to international standards.

To enable the launch of more types of special and high-end tank containers in the international market, the segment has given particular attention to the R&D of cryogenic tank container for international long-haul transportation and lightweight special tank container for meeting Europe's customer need.

#### ***Future plans and strategies***

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

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

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

The Group will continue to facilitate the transmission of know-how, technological expertise and market networks between its subsidiaries in China and Europe. Under a Sino-European product development programme, the segment has successfully developed and exported LNG tank containers with international standards, as a new mode of logistics solution to its overseas customers. The segment has received new orders for LNG tank containers during the first half of 2016. In addition, the acquisition of Burg Service B.V. ("**Burg Service**") in the Netherlands in 2015 has facilitated the segment's development of tank container after-sale services in China and overseas.

### ***Liquid food equipment***

#### *Operational performance*

During the first half of 2016, the liquid food equipment segment's revenue was RMB1,043,477,000 (corresponding period in 2015: RMB978,326,000). The segment's operating profit for the period rose to RMB142,443,000 (corresponding period in 2015: RMB99,206,000) which was due to a higher GP margin as a result of improved operational efficiency.

#### *Research and development*

In the first half of 2016, the liquid food equipment devoted to the R&D of complete turnkey brewery systems catered to customer specifications and many R&D projects are ongoing during the period. Partnering with customers, the segment has focused on the development of new equipment to achieve higher efficiency and substantial savings on production cost. The segment will continue to enhance its R&D capability of new technologies in beer brewing and towards diversification to new businesses.

Apart from 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 at industry conferences and technical universities.

### *Future plans and strategies*

Following the integration of certain assets acquired from Ziemann Group in 2012, the liquid food equipment segment has become a provider of comprehensive turnkey solutions to beer and other liquid food producers under the brand name of “Ziemann Holvrieka”. The segment constantly reviews its development strategy and seeks more opportunities in which it can excel and enhance its business position. For vertical diversification, the segment continues to enhance its capability to offer turnkey solutions for brewing and strives to develop such capability for the entire brewery. For horizontal diversification, the segment strives to proactively develop businesses for other liquid food apart from beer, such as juice storage and transportation and dairy product processing. With the acquisition of Briggs in June 2016, Ziemann Holvrieka can offer a broader scope of products and services in different industries, such as pharmaceutical, distilling and biofuels. At the same time, Briggs can offer extended scope of projects to customers, integrating Ziemann Holvrieka’s technologies.

The Group has footholds in China and Europe, and since the acquisition of Ziemann Holvrieka Asia Company Limited (“**ZHA**”) in 2014, the liquid food equipment segment has expanded its production capacity in China and its marketing network in Asia. This facilitates the segment’s involvement in the global execution of projects. Furthermore, the Group will continue to transfer advanced manufacturing technologies and know-how from Europe to its Chinese operations. The liquid food equipment segment has been working on the integration of the Ziemann technology in ZHA, through organising training programmes and exchange programmes for the project teams, engineers and technicians in China and Germany. Meanwhile, the segment will explore more business opportunities and revenue sources in Central America and emerging markets. Following the acquisition of Briggs, the segment has gained natural access to the markets in the United States and the United Kingdom through Briggs’ offices in these countries.

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 these innovations to the market. The segment targets to develop innovative products for mash filtration, milling system, energy saving projects, smart conveyor and fast fermentation. Through a cooperative R&D programme with a major customer, the segment endeavours to develop optimised production processes with substantial savings on the customer’s production overheads in brewing. The segment targets to penetrate such innovative production processes to more customers, which will facilitate the industry’s replacement and upgrades of production processes.

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

## Financial Review

### Liquidity and financial resources

At 30 June 2016, the cash and cash equivalents of the Group amounted to RMB2,583,942,000 (31 December 2015: RMB2,035,950,000). A portion of the Group's bank deposits totalling RMB387,193,000 (31 December 2015: RMB661,524,000), which had more than three months of maturity at acquisition. As of 30 June 2016, the bank deposit of RMB87,193,000 were restricted for guarantee of banking facilities; while the remaining was restricted as collateral for SOE. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from related parties as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2016, the Group's bank loans and overdrafts amounted to RMB1,750,903,000 (31 December 2015: RMB1,058,070,000), other than a three-year syndicated bank loan and term loans with tenors ranging from 2 to 3 years for business acquisition and capital expenditure, the remaining is repayable within one year. Apart from the term loans denominated in USD and HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.33% to 4.85% per annum. At 30 June 2016, the Group did not have secured bank loan (31 December 2015: Nil). As of 30 June 2016, bank loans amounting to RMB1,750,903,000 (31 December 2015: RMB1,058,070,000) were guaranteed by the Company's subsidiaries. As at 30 June 2016, loans from related parties amounted to RMB690,000,000 (31 December 2015: RMB690,000,000), which are unsecured, interest bearing from 4.35% to 4.60% (31 December 2015: 4.35% to 4.90%) 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 2015: zero times) as the Group retained a net cash balance of RMB530,232,000 (31 December 2015: RMB949,404,000). The decrease in net cash balance is mainly attributable to financial assistance as well as purchase consideration for acquisitions and dividend paid during the period. The Group's interest coverage was 8.1 times for the period (corresponding period in 2015: 51.0 times) which represents a decline that is mainly due to a substantial increment in bank borrowings in past twelve months. Certainly, the Group's profit from operation and strong operating cash flow demonstrate that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash generated from operating activities amounted to RMB700,379,000 (corresponding period in 2015: RMB275,987,000). The Group drew bank loans and loans from a related party totalling RMB1,378,235,000 (corresponding period in 2015: RMB241,157,000) and repaid RMB715,223,000 (corresponding period in 2015: RMB72,127,000). A payment of final dividend in respect of the financial year ended 31 December 2015 was approximately RMB162,895,000. In addition, cash proceeds amounted to RMB2,427,000 arose from the issuance of ordinary shares on exercise of share options.

## Assets and liabilities

At 30 June 2016, total assets of the Group amounted to RMB12,586,199,000 (31 December 2015: RMB12,312,226,000) while total liabilities were RMB7,289,387,000 (31 December 2015: RMB5,846,754,000). The net asset value reduced by 18.1% to RMB5,296,812,000 (31 December 2015: RMB6,465,472,000). It was mainly attributable to impairment provision made for SOE of RMB1,214,880,000, the dividend payment of RMB162,895,000 and exchange difference on translation of financial statements denominated in foreign currencies of RMB19,042,000, which fully offsetting profit from operation of RMB314,288,000 for the period. As a result, the net asset value per share decreased to RMB2.736 at 30 June 2016 from RMB3.340 at 31 December 2015.

## Contingent liabilities

At 30 June 2016, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB630,227,000, of which balance of performance and quality guarantees was RMB405,150,000 in aggregate and balance of advance payment guarantees was RMB225,077,000. Apart from these, the Group did not have other material 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 2016, the Group had contracted but not provided for capital commitments of RMB58,694,000 (31 December 2015: RMB485,471,000). As of 30 June 2016, the Group did not have authorised but not contracted for capital commitments (31 December 2015: 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 2016, the Group invested RMB197,237,000 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 RMB41,652,000, RMB23,963,000 and RMB131,610,000 respectively in capital expenditure during the period.

## Employees and remuneration policies

At 30 June 2016, the total number of employees of the Group was approximately 8,850 (corresponding period in 2015: approximately 9,800). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB619,112,000 (corresponding period in 2015: RMB564,596,000).

In view of the expiration of the share option scheme adopted on 12 July 2006 (the "**Scheme**"), an ordinary resolution was passed at the annual general meeting of the Company held on 20 May 2016 for the adoption of a new share option scheme and the termination of the Scheme.

Save as disclosed above, there have been no material changes in respect of employee incentive and bonus policies, the share option scheme and training scheme as disclosed in Annual Report 2015.

## Prospects

In the first half of 2016, there was a slowdown in China's economic growth, weak demand from external economies, persistent downturn in international trade and export, as well as intensified fluctuation in the exchange rate of Renminbi. Even though the Group has implemented various measures for positioning and responded actively, the Group's operating results during the period still recorded a certain extent of decrease as influenced by the persistent downturn in the market environment. The International Monetary Fund (IMF) projected the global growth at 3.1% in 2016. The economic outlook worsens for advanced economies while it remains broadly unchanged for emerging market and developing economies. For China, the country's GDP growth was approximately 6.7% in the first half of 2016. The Chinese government set the GDP growth target in 2016 at a range of 6.5% to 7.0%, whilst IMF projected China's growth to be 6.6% in 2016.

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

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

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

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

Grasping this critical moment, the Chinese government announced natural gas price cuts in April and November 2015 to maintain the natural gas price competitiveness in China. The Chinese government has also announced concrete measures to largely liberalise gas price which will help lift the growth of natural gas demand. In the first half of 2016, China recorded a growth in natural gas consumption of 9.8% year-on-year to approximately 99.5 billion cubic metres ("bcm") and a growth in natural gas import of 21.2% year-on-year to approximately 35.6 bcm, both indicating a moderate recovery of natural gas demand during the period.

Under the Chinese government's emphasis on pollution control on transport-related emissions, natural gas has for years been positively promoted for use in vehicles and the government continues to implement oil-to-gas substitution in transportation fuel. However, with the recent drop in oil price and the Chinese government's support on new-energy vehicles such as electric vehicles, the competitiveness and adoption of natural gas vehicles in China will undoubtedly be affected in the near term.

Given the absolute environmental benefits of natural gas over other fossil fuels and together with the supportive policies for natural gas consumption by the Chinese government, the Group remains confident on the long-term prospects of the natural gas industry in China. Nevertheless, the natural gas equipment market is still pending a confirmative recovery, the Group's energy equipment segment will implement various measures to achieve lower cost of production, increased customisation and innovation as well as superior customer service, and will carefully manage and control its capital expenditure and working capital.

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

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

With many years of expertise and experience in the chemical equipment industry, the segment remains committed to maintaining its leading position in tank container manufacturing business by controlling production costs, improving quality and enhancing operational efficiency. To pursue a healthy and sustainable growth in revenue, the segment will step up its effort to develop the market of special and high-end tank containers, such as LNG tank containers. Standard tank container is an intermodal transportation equipment for vehicles and vessels, yet its market penetration in China is still relatively low, and this reflects a bright prospect of its application in China. In addition, following the acquisition of Burg Service in 2015, the segment has increased its presence in the Europe market, and has gained access to advance technologies for repair and modification of tank containers in Europe.

In view of the past years of rapid growth, the Group's liquid food equipment segment recorded a moderate performance in the first half of 2016. The Group believes that the acquisition of Briggs serves as an important milestone of the segment, which significantly enhances its international capabilities and accelerates its penetration into broader product and service portfolio.

Backed by the strong brand names of "Ziemann Holvrieka" and "Briggs", the Group's liquid food equipment segment is committed to offer engineering services and system solutions for the liquid food industry. Through cost leadership and worldwide presence, the segment will be able to become stronger towards its competitors. With a high level of technological and technical competence of production equipment for beer, the segment will strive vertically towards integrated EPC turnkey solutions, and horizontally towards diversification to juice storage and transportation and dairy product processing, achieve persistent innovation, and explore more business opportunities and revenue sources in Central America and the emerging markets.

The Group is delighted that several subsidiaries of the Group have received awards and certifications for financial performance, product innovation and prestige branding during the first half of 2016. 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 and integrated solutions for 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. Looking ahead, the Group remains prudently optimistic about the outlook of the sectors it engaged in. The Group firmly believes that the combination of the Group's key strategies and diversified business model will create sustainable and long-term value to shareholders.

## Supplementary Information

### Directors' Interests in Shares

As at 30 June 2016, 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	Interests in underlying shares pursuant to share options	% of issued share capital (Note)
Gao Xiang	Beneficial owner	1,900,000	0.10%
Liu Chunfeng	Beneficial owner	800,000	0.04%
Jin Jianlong	Beneficial owner	1,400,000	0.07%
Yu Yuqun	Beneficial owner	1,298,000	0.07%
Jin Yongsheng	Beneficial owner	1,100,000	0.06%
Wong Chun Ho	Beneficial owner	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2016, which was 1,936,748,088.

#### 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 "Scheme"). Details of which were set out under the section headed "Share Options" on pages 51 to 52.

## 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")	Gao Xiang	Beneficiary of a trust (Note 1)	1,350,000	0.61% (Note 2)
	Liu Chunfeng	Beneficiary of a trust (Note 1)	1,000,000	0.45% (Note 2)
	Jin Jianlong	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
	Yu Yuqun	Beneficiary of a trust (Note 1)	2,350,000	1.06% (Note 2)
China International Marine Containers (Group) Co., Ltd. ("CIMC") (A Shares)	Gao Xiang	Beneficial owner (Note 3)	375,000	0.03% (Note 4)
	Liu Chunfeng	Beneficial owner (Note 3)	177,400	0.01% (Note 4)
	Jin Jianlong	Beneficial owner (Note 3)	850,000	0.07% (Note 4)
	Yu Yuqun	Beneficial owner (Note 3)	750,000	0.06% (Note 4)
CIMC (H Shares)	Liu Chunfeng	Beneficial owner	10,200	0.01% (Note 5)

### 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. Mr. Gao, Mr. Liu, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan. CIMC Vehicle Group is controlled by CIMC as to 80%.
- The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2016, which was 220,700,000.
- Mr. Gao, Mr. Liu, Mr. Jin and Mr. Yu were granted stock options (A Shares) by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB10.55 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 28 September 2014 and 27 September 2020.
- The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 30 June 2016, which was 1,261,782,777.
- The percentage is calculated based on the total number of share capital of CIMC (H Shares) in issue as at 30 June 2016, which was 1,716,576,609.

Save as disclosed above, as at 30 June 2016, 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 2016, nor have any such rights been granted or exercised during the interim period.

## Substantial Shareholders' Interests in Shares

As at 30 June 2016, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Number of shares held	% of issued share capital (Note 1)
CIMC	Interest of controlled corporation	1,371,016,211 (Note 2)	70.79%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 (Note 3)	9.85%
	Interest of controlled corporation	39,740,566 (Note 4)	2.05%
	Beneficial owner	1,140,572,645	58.89%
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 (Note 3)	9.85%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2016, which was 1,936,748,088.
2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 1,140,572,645 ordinary shares held by CIMC HK and 39,740,566 ordinary shares held by CIMC Tank Equipment Investment Holdings Company Limited ("CIMC Tank Equipment"). Charm Wise, CIMC HK and CIMC Tank Equipment are wholly-owned subsidiaries of CIMC.
3. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is a wholly-owned subsidiary of CIMC HK.
4. These ordinary shares are held by CIMC Tank Equipment, a wholly-owned subsidiary of CIMC HK.

Save as disclosed above, as at 30 June 2016, (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 adopted the 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 2015.

As at 30 June 2016, 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 2016, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period	outstanding at 1 January 2016	Number of share options			transferred to/from other category	outstanding at 30 June 2016
				granted during the period	exercised during the period	lapsed during the period		
<b>Directors</b>								
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	-	-	-	-	1,000,000
	28/10/2011	28/10/2013–27/10/2021	500,000	-	-	-	-	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	-	-	-	-	400,000
Liu Chunfeng	11/11/2009	11/11/2010–10/11/2019	-	-	-	-	-	-
	28/10/2011	28/10/2013–27/10/2021	400,000	-	-	-	-	400,000
	05/06/2014	05/06/2016–04/06/2024	400,000	-	-	-	-	400,000
Jin Jianlong	11/11/2009	11/11/2010–10/11/2019	800,000	-	-	-	-	800,000
	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
Yu Yuqun	11/11/2009	11/11/2010–10/11/2019	698,000	-	-	-	-	698,000
	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
Jin Yongsheng	11/11/2009	11/11/2010–10/11/2019	500,000	-	-	-	-	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
Wong Chun Ho	11/11/2009	11/11/2010–10/11/2019	500,000	-	-	-	-	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	-	-	-	-	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	-	-	-	-	300,000
			8,798,000	-	-	-	-	8,798,000
<b>Employees</b>								
	11/11/2009	11/11/2010–10/11/2019	8,586,000	-	-	-	-	8,586,000
	28/10/2011	28/10/2013–27/10/2021	23,836,000	-	(736,000)	-	-	23,100,000
	05/06/2014	05/06/2016–04/06/2024	31,470,000	-	-	(1,580,000)	-	29,890,000
<b>Other participants</b>								
	11/11/2009	11/11/2010–10/11/2019	7,362,000	-	(70,000)	-	-	7,292,000
	28/10/2011	28/10/2013–27/10/2021	2,197,000	-	(315,000)	-	-	1,882,000
	05/06/2014	05/06/2016–04/06/2024	4,350,000	-	-	(100,000)	-	4,250,000
<b>Total</b>			<b>86,599,000</b>	<b>-</b>	<b>(1,121,000)</b>	<b>(1,680,000)</b>	<b>-</b>	<b>83,798,000</b>

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.

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 2016 was approximately HKD3.99 per share.

At the annual general meeting of the Company held on 20 May 2016, an ordinary resolution was passed for the adoption of a new share option scheme (the "New Scheme") and the termination of the Scheme. Upon termination of the Scheme, no further option may be granted under the Scheme, but in all other respects the provisions of the Scheme remain in full force and effect and options granted prior to such termination continue to be valid and exercisable in accordance with the provisions of the Scheme.

No options have been granted under the New Scheme since its adoption.

As at the date of this report, a total of 193,660,608 number of options, representing 10.00% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total of 277,458,608 shares, representing 14.33% of the issued ordinary share capital of the Company, are available for issue under the Scheme and the New Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2016.

## 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 2016.

## 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 2016.

The latest corporate governance report of the Company is set out in the Annual Report 2015.

## 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 Group's financial reporting procedures, risk management and internal control systems. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2016.

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 changes in the biographical details of Directors since the publication of the Annual Report 2015 and up to the date of this report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Yu Yuqun, an Executive Director, was re-designated from the secretary to the board of directors to the company secretary of CIMC. He has resigned as a non-executive director of TSC Group Holdings Limited (shares of which are listed on the Main Board of the Hong Kong Stock Exchange) and was appointed as a non-executive director of China Fire Safety Enterprise Group Limited (shares of which are listed on the Main Board of the Hong Kong Stock Exchange).

Mr. Wong Chun Ho, an Independent Non-executive Director, was re-designated from a director to a managing director of Rothschild (Hong Kong) Limited.

Mr. Tsui Kei Pang, an Independent Non-executive Director, has ceased to be a solicitor of England and Wales (non-practising). He has been an honorary legal adviser of The Hong Kong Real Property Federation.

Save as disclosed above, the further biographical details of Directors can be referred to the Annual Report 2015.

## 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. 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

**Gao Xiang**

*Chairman*

Hong Kong, 22 August 2016



**CIMC ENRIC**



**CIMC Enric Holdings Limited**  
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