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## Interim Results

The Board of Directors of Enric Energy Equipment Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce the unaudited financial results of the Group for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007. The interim financial results are unaudited but have been reviewed by the Company's independent auditor, KPMG, and the Audit Committee.



## Independent Review Report

**To the board of directors of  
Enric Energy Equipment Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 4 to 23 which comprises the consolidated balance sheet of Enric Energy Equipment Holdings Limited as at 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

### KPMG

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

22 August 2008

## Consolidated Income Statement

For the six months ended 30 June 2008

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2008 Unaudited RMB	2007 Unaudited RMB
<b>Turnover</b>	4	<b>493,674,568</b>	402,608,436
Cost of sales		<b>(380,415,831)</b>	(285,377,859)
<b>Gross profit</b>		<b>113,258,737</b>	117,230,577
Other revenue	5	<b>10,172,050</b>	3,523,824
Other net income	5	<b>758,806</b>	75,826
Selling expenses		<b>(23,820,278)</b>	(15,570,186)
Administrative expenses		<b>(46,326,852)</b>	(34,814,950)
<b>Profit from operations</b>		<b>54,042,463</b>	70,445,091
Finance costs	6	<b>(6,920,714)</b>	(4,808,900)
<b>Profit before taxation</b>	6	<b>47,121,749</b>	65,636,191
Income tax	7	<b>(8,910,857)</b>	(5,584,237)
<b>Profit for the period and attributable to equity shareholders of the Company</b>		<b>38,210,892</b>	60,051,954
<b>Earnings per share</b>	9		
– Basic		<b>0.083</b>	0.134
– Diluted		<b>0.083</b>	0.132

The notes on pages 8 to 23 form part of this interim financial report.

## Consolidated Balance Sheet

At 30 June 2008

(Expressed in Renminbi)

	Note	At 30 June 2008 Unaudited RMB	At 31 December 2007 Audited RMB
<b>Non-current assets</b>			
Property, plant and equipment	10	213,058,095	208,092,809
Construction in progress		19,911,859	15,074,608
Lease prepayments		43,948,612	40,705,310
Intangible assets		8,752,495	6,759,251
Deposits for land use right		6,112,320	6,112,320
Deferred tax assets		2,526,567	2,195,763
		<b>294,309,948</b>	278,940,061
<b>Current assets</b>			
Inventories	11	350,218,026	276,905,649
Trade and bills receivable	12	219,374,399	194,116,262
Deposits, other receivables and prepayments		45,572,367	36,778,081
Amounts due from related parties	19(b)(I)	2,419,500	300,000
Cash at bank and in hand	13	205,483,408	273,875,471
		<b>823,067,700</b>	781,975,463
<b>Current liabilities</b>			
Bank loans	14	184,024,936	140,899,217
Trade and bills payable	15	146,456,444	168,618,289
Other payables and accrued expenses		83,634,475	85,743,772
Income tax payable		2,212,574	3,726,135
Amounts due to related parties	19(b)(II)	10,445,007	12,080,449
Provisions		2,700,739	2,605,539
Deferred income		—	1,400,000
		<b>429,474,175</b>	415,073,401
<b>Net current assets</b>		<b>393,593,525</b>	366,902,062
<b>Total assets less current liabilities</b>		<b>687,903,473</b>	645,842,123
<b>Non-current liabilities</b>		<b>3,850,458</b>	—
Deferred tax liabilities			
<b>NET ASSETS</b>		<b>684,053,015</b>	645,842,123
<b>CAPITAL AND RESERVES</b>			
Share capital	17	4,768,770	4,768,770
Reserves	17	679,284,245	641,073,353
<b>TOTAL EQUITY</b>		<b>684,053,015</b>	645,842,123

The notes on pages 8 to 23 form part of this interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2008 Unaudited RMB	2007 Unaudited RMB
<b>Total equity at 1 January</b>		<b>645,842,123</b>	505,524,440
<b>Net profit for the period</b>		<b>38,210,892</b>	60,051,954
<b>Movements in equity arising from capital transactions:</b>			
Equity-settled share-based transactions	16	–	839,937
Exercise of share options	17	–	10,401,749
		–	11,241,686
<b>Total equity at 30 June</b>		<b>684,053,015</b>	576,818,080

The notes on pages 8 to 23 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2008 Unaudited RMB	2007 Unaudited RMB
<b>Cash used in operations</b>		<b>(73,714,948)</b>	(123,213,149)
<b>Tax paid</b>		<b>(6,904,764)</b>	(3,433,050)
<b>Net cash used in operating activities</b>		<b>(80,619,712)</b>	(126,646,199)
<b>Net cash used in investing activities</b>		<b>(25,002,389)</b>	(31,606,544)
<b>Net cash generated from financing activities</b>		<b>38,628,565</b>	36,860,703
<b>Net decrease in cash and cash equivalents</b>		<b>(66,993,536)</b>	(121,392,040)
<b>Cash and cash equivalents at 1 January</b>		<b>257,191,471</b>	292,707,317
<b>Effect of foreign exchange rate changes</b>		<b>(1,529,266)</b>	933,621
<b>Cash and cash equivalents at 30 June</b>	13	<b>188,668,669</b>	172,248,898

The notes on pages 8 to 23 form part of this interim financial report.



# Notes to the Unaudited Interim Financial Report

*(Expressed in Renminbi unless otherwise indicated)*

## 1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 22 August 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted by Enric Energy Equipment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") in the preparation of the financial statements for the year ended 31 December 2007. Please refer to Note 2 for the discussion of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") adopted by the Group in 2008.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2007.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 3.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 March 2008.

## 2. **New and revised HKFRSs**

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2008, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised HKFRSs did not result in substantial changes in the Group's accounting policies applied in these financial statements for the periods presented.

## 3. **Segment reporting**

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the People's Republic of China ("PRC"), no geographical segment information is presented.

The business segment of the Group comprises:

- (i) the design, manufacture and sale of compressors;
- (ii) the design, manufacture and sale of pressure vessels; and
- (iii) the provision of integrated business solutions, from the design and manufacture of gas equipment system to on-site installation.

	Six months ended 30 June 2008 (Unaudited)					Six months ended 30 June 2007 (Unaudited)				
	Integrated					Integrated				
	Compressors	Pressure	business	Inter-segment	Consolidated	Compressors	Pressure	business	Inter-segment	Consolidated
		vessels	solutions	elimination			vessels	solutions	elimination	
RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Segment revenue	<u>71,470,010</u>	<u>358,280,518</u>	<u>65,753,004</u>	<u>(1,828,964)</u>	<u>493,674,568</u>	<u>71,522,225</u>	<u>237,428,817</u>	<u>96,278,563</u>	<u>(2,621,169)</u>	<u>402,608,436</u>
Segment result	<u>5,391,975</u>	<u>40,687,694</u>	<u>17,659,631</u>	<u>(620,636)</u>	<u>63,118,664</u>	<u>12,830,421</u>	<u>41,961,925</u>	<u>23,825,296</u>	<u>(574,314)</u>	<u>78,043,328</u>
Unallocated operating income and expenses					<u>(9,076,201)</u>					<u>(7,598,237)</u>
Profit from operations					<u>54,042,463</u>					<u>70,445,091</u>
Finance costs					<u>(6,920,714)</u>					<u>(4,808,900)</u>
Taxation					<u>(8,910,857)</u>					<u>(5,584,237)</u>
Profit for the period					<u>38,210,892</u>					<u>60,051,954</u>

#### 4. Turnover

The Group is principally engaged in the provision of integrated business solutions in the gas energy industry and the design, manufacture and sale of specialised gas equipment. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The Group's core products are pressure vessels, compressors and integrated business solutions for gas equipment.

## 5. Other revenue and net income

		Six months ended 30 June	
		2008	2007
		Unaudited	Unaudited
		RMB	RMB
<b>Other revenue</b>			
Government grants	(i)	4,727,581	970,000
Other operating revenue	(ii)	3,606,469	1,147,320
Interest income from bank deposits		1,838,000	1,406,504
		<u>10,172,050</u>	<u>3,523,824</u>

(i) Government grants represent incentives and subsidies given to subsidiaries by the local governments.

(ii) Other operating revenue consists mainly of income earned from the sale of steel materials left-over from production.

		Six months ended 30 June	
		2008	2007
		Unaudited	Unaudited
		RMB	RMB
<b>Other net income</b>			
Gain/(Loss) on disposal of property, plant and equipment		6,894	(3,200)
Charitable donations		(999)	-
Other net income		752,911	79,026
		<u>758,806</u>	<u>75,826</u>

**6. Profit before taxation**

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

(i) *Finance costs*

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>RMB</b>	RMB
Interest on bank loans	<b>5,267,862</b>	4,556,849
Foreign exchange loss/(gain)	<b>1,227,764</b>	(137,692)
Finance charges	<b>425,088</b>	389,743
	<b>6,920,714</b>	4,808,900

(ii) *Other items*

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>RMB</b>	RMB
Depreciation of property, plant and equipment	<b>10,693,442</b>	8,276,851
Amortisation of intangible assets	<b>563,724</b>	553,157
Amortisation of lease prepayments	<b>551,034</b>	346,992
Impairment losses for trade receivables	<b>101,730</b>	–
Impairment losses for other receivables	<b>366,357</b>	–
Write-down of inventories	<b>1,123,124</b>	–
Reversal of write-down of inventories	–	(24,009)
Research and development expenses	<b>8,375,016</b>	4,892,352
Operating lease charges for property rental	<b>2,327,226</b>	1,033,698
Provision for product warranties	<b>2,859,942</b>	2,374,012

## 7. Income tax

	Six months ended 30 June	
	2008 Unaudited RMB	2007 Unaudited RMB
Current tax – PRC	5,391,203	4,607,467
Deferred taxation	3,519,654	976,770
	<u>8,910,857</u>	<u>5,584,237</u>

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. Profits of the Company's subsidiaries in the PRC are subject to PRC income taxes.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which has taken effect on 1 January 2008. As a result of the new tax law, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25% since then.

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

According to the new tax law, the existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. The applicable income tax rate under the preferential tax policy of the Company's subsidiaries in the PRC expires at the shorter of the existing preferential tax period and the five-year transitional period.

During the six months ended 30 June 2008, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and accordingly the Company's subsidiaries in the PRC were subject to income tax at 12.5% to 25% (corresponding period in 2007: 0% to 15%).

In addition, according to the new tax law, PRC subsidiaries of the Company are levied the withholding tax on the dividends to their foreign investors arising from profits earned subsequent to 1 January 2008. Deferred tax liability amounting to RMB3,850,458 had been recognised in this regard.

**8. Dividends**

No dividend has been paid or declared by the Company during the six months ended 30 June 2008 (corresponding period in 2007: Nil).

**9. Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to ordinary equity shareholders of the Company of RMB38,210,892 (corresponding period in 2007: RMB60,051,954) and the weighted average number of ordinary shares of 459,000,000 in issue (corresponding period in 2007: 448,546,409) during the six months ended 30 June 2008.

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on the profit attributable to ordinary equity shareholders of the Company of RMB38,210,892 (corresponding period in 2007: RMB60,051,954) and the weighted average number of ordinary shares of 459,000,000 (corresponding period in 2007: 456,121,914), calculated as follows:

	Six months ended 30 June	
	2008 Unaudited	2007 Unaudited
Weighted average number of ordinary shares used in calculating basic earnings per share	459,000,000	448,546,409
Effect of dilutive potential ordinary shares:		
– Share options	–	7,575,505
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>459,000,000</u>	<u>456,121,914</u>

**10. Property, plant and equipment**

During the six months ended 30 June 2008, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB15,682,730 (corresponding period in 2007: RMB22,543,199). Items of property, plant and equipment with net book value totalling RMB24,002 were disposed of during the six months ended 30 June 2008 (corresponding period in 2007: RMB4,399), resulting in a gain on disposal of RMB6,894 (corresponding period in 2007: loss of RMB3,200).

As at 30 June 2008, the Group was in the process of registering the titles of buildings with net book values of RMB17,766,842 (31 December 2007: RMB18,034,334).

## 11. Inventories

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Raw materials	<b>161,317,406</b>	114,107,235
Goods in transit	<b>4,524,584</b>	6,304,594
Work in progress	<b>114,123,241</b>	78,402,587
Finished goods	<b>70,252,795</b>	78,091,233
	<b><u>350,218,026</u></b>	<u>276,905,649</u>

## 12. Trade and bills receivable

All of the trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year.

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

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Current	<b>105,067,438</b>	92,505,026
Less than 1 month past due	<b>34,765,526</b>	43,036,686
1 to 3 months past due	<b>26,039,010</b>	27,339,189
More than 3 months but less than 12 months past due	<b>47,508,085</b>	31,235,361
Past due over 12 months	<b>5,994,340</b>	–
Amounts past due	<b><u>114,306,961</u></b>	<u>101,611,236</u>
	<b><u>219,374,399</u></b>	<u>194,116,262</u>

Trade and bills receivable are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of three to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis.



**13. Cash at bank and in hand**

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
<b>Cash and cash equivalents</b>		
– Cash in hand and demand deposits	<b>151,731,759</b>	236,734,243
– Restricted bank deposits for letters of credit and bills payable within three months of maturity	<b>36,936,910</b>	20,457,228
	<b>188,668,669</b>	257,191,471
Restricted bank deposits for letters of credit and bills payable with maturity of more than three months	<b>16,814,739</b>	16,684,000
	<b>205,483,408</b>	273,875,471

**14. Bank loans**

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Bank loans	<b>184,024,936</b>	140,899,217

The annual rate of interest charged on the bank loans ranged from 6.3% to 7.5% for the six months ended 30 June 2008 (corresponding period in 2007: 5.6% to 6.8%).

**15. Trade and bills payable**

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Trade creditors	<b>91,456,444</b>	99,118,289
Bills payable	<b>55,000,000</b>	69,500,000
	<b><u>146,456,444</u></b>	<u>168,618,289</u>

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

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Due within 3 months or on demand	<b>102,456,444</b>	151,118,289
Due after 3 months but within 6 months	<b>44,000,000</b>	17,500,000
	<b><u>146,456,444</u></b>	<u>168,618,289</u>

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

**16. Equity-settled share-based transactions**

The Company adopted the Pre-GEM Listing Share Option Plan which was approved by the then sole shareholder on 26 September 2005 whereby the Company invited certain directors and employees of the Group to take up options at HKD1 consideration to subscribe for 13,800,000 ordinary shares of the Company. The exercise price of such share options was HKD1.50, which was determined based on the new issue price of the Company's shares on 18 October 2005.

The Pre-GEM Listing Share Option Plan was valid from 26 September 2005 to 17 October 2005, after which no further options were granted but its provisions will remain in force until 25 September 2015 so as to give effect to the exercise of any options granted.

The movements in the number of share options pursuant to the Pre-GEM Listing Share Option Plan during the corresponding period in 2007 are as follows:

Category	Date of grant	Exercisable period	Number of share options		
			Outstanding at 1 January 2007	Exercised during the period	Outstanding at 30 June 2007
Directors	26 September 2005	18 April 2006 – 25 September 2015	5,550,000	5,550,000	–
	26 September 2005	18 October 2007 – 25 September 2015	5,550,000	–	5,550,000
Employees	26 September 2005	18 April 2006 – 25 September 2015	1,350,000	1,350,000	–
	26 September 2005	18 October 2007 – 25 September 2015	1,350,000	–	1,350,000
			<u>13,800,000</u>	<u>6,900,000</u>	<u>6,900,000</u>

All the outstanding options had been exercised as at 31 December 2007. Accordingly, no options were outstanding during the six months ended 30 June 2008.

## 17. Capital and reserves

	Attributable to equity shareholders of the Company						
	Share	Share	Contributed	Capital	General	Retained	Total
	capital	premium	surplus	reserve	reserve	profits	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
RMB	RMB	RMB	RMB	RMB	RMB	RMB	
At 1 January 2007	4,630,080	260,619,986	15,709,935	5,593,799	21,484,479	197,486,161	505,524,440
Equity-settled share-based transactions (note 16)	-	-	-	839,937	-	-	839,937
Exercise of share options (note 16)	69,344	13,827,331	-	(3,494,926)	-	-	10,401,749
Profit for the period	-	-	-	-	-	60,051,954	60,051,954
Transfer between reserves (i)	-	-	-	-	6,970,109	(6,970,109)	-
At 30 June 2007	<u>4,699,424</u>	<u>274,447,317</u>	<u>15,709,935</u>	<u>2,938,810</u>	<u>28,454,588</u>	<u>250,568,006</u>	<u>576,818,080</u>
At 1 January 2008	4,768,770	287,516,719	15,709,935	-	37,640,170	300,206,529	645,842,123
Profit for the period	-	-	-	-	-	38,210,892	38,210,892
Transfer between reserves (i)	-	-	-	-	4,278,286	(4,278,286)	-
At 30 June 2008	<u>4,768,770</u>	<u>287,516,719</u>	<u>15,709,935</u>	<u>-</u>	<u>41,918,456</u>	<u>334,139,135</u>	<u>684,053,015</u>

(i) *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.

**18. Commitments**

- (a) Capital commitments outstanding at 30 June 2008 not provided for in the interim financial report were as follows:

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Contracted for	2,789,593	4,791,718
Authorised but not contracted for	–	700,000
	<b>2,789,593</b>	<b>5,491,718</b>

- (b) At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Within 1 year	1,921,531	224,429
After 1 year but within 5 years	3,020,465	12,000
	<b>4,941,996</b>	<b>236,429</b>

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

**19. Material related party transactions**(a) *Transactions*

Name of party	Nature of transactions	Six months ended 30 June	
		2008 Unaudited RMB	2007 Unaudited RMB
China International Marine containers (Group) Company Limited ("CIMC") and its subsidiaries (i)	Sales (ii)	2,977,778	–
	Purchases (iii)	36,833,422	–
Mr. Wang Yusuo (i) ("Mr. Wang")	Sales	–	100,213,830
	Purchases	–	1,097,528
	Rental of property and office equipment and property management fee	–	812,015
	Connection fees	–	27,164

(i) Mr. Wang and Ms. Zhao Baoju, the spouse of Mr. Wang, were the former ultimate controlling parties of the Company through their interests in Xiniao Group International Investment Limited ("XGII").

On 30 July 2007, XGII and Charm Wise Limited, a wholly-owned subsidiary of CIMC, entered into a share transfer agreement pursuant to which Charm Wise Limited acquired from XGII a total of 190,703,000 shares in the Company, representing approximately 42.18% of the then entire issued share capital of the Company. Since then, XGII holds 43,441,000 shares in the Company, approximately 9.61% of the entire issued share capital of the Company on the same date. The directors consider that CIMC obtained control of the Company with effect from 15 October 2007, after which XGII is no longer regarded as a related party of the Group for the purposes of these financial statements.

Accordingly, CIMC and its subsidiaries are regarded as related parties of the Group from 15 October 2007 for the purposes of these financial statements.

(ii) Sales to related parties represent the sale of finished products.

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

(b) *Balances with related parties*

(i) Amounts due from related parties are as follows:

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Trade balances – CIMC and its subsidiaries (i)	<u><u>2,419,500</u></u>	<u><u>300,000</u></u>

(i) This represents receivables from sales of the Group's products to related parties.

(ii) Amounts due to related parties are as follows:

	<b>At 30 June 2008 Unaudited RMB</b>	At 31 December 2007 Audited RMB
Trade balances – CIMC and its subsidiaries (i)	<u><u>10,445,007</u></u>	<u><u>12,080,449</u></u>

(i) This represents receipts in advance for sale of goods and payables for purchases of raw materials.

**20. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008**

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008:

	<b>Effective for accounting periods beginning on or after</b>
HK(IFRIC) 13, <i>Customer Loyalty Programmes</i>	1 July 2008
HKFRS 8, <i>Operating Segments</i>	1 January 2009
Revised HKAS 1, <i>Presentation of Financial Statements</i>	1 January 2009
Revised HKAS 23, <i>Borrowing Costs</i>	1 January 2009
Amendments to HKFRS 2, <i>Share-Based Payment</i> – <i>Vesting Conditions and Cancellations</i>	1 January 2009
Revised HKFRS 3, <i>Business Combination</i>	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Revised HKAS 27, <i>Consolidated and Separate Financial Statements</i>	1 July 2009

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



## Financial Highlights

	<b>At 30 June 2008 (RMB'000)</b>	At 31 December 2007 (RMB'000)	+/-
<b>FINANCIAL POSITION</b>			
Total assets	<b>1,117,378</b>	1,060,915	5.3%
Net assets	<b>684,053</b>	645,842	5.9%
Net current assets	<b>393,594</b>	366,902	7.3%
Cash balances	<b>205,483</b>	273,875	-25.0%
Bank loans	<b>184,025</b>	140,899	30.6%
Gearing ratio (Bank loans/Total equity)	<b>26.9%</b>	21.8%	5.1%
<b>Six months ended 30 June</b>			
	<b>2008 (RMB'000)</b>	2007 (RMB'000)	+/-
<b>OPERATING RESULTS</b>			
Turnover	<b>493,675</b>	402,608	22.6%
Gross profit	<b>113,259</b>	117,231	-3.4%
EBITDA	<b>64,198</b>	79,370	-19.1%
Profit from operations	<b>54,042</b>	70,445	-23.3%
Profit attributable to equity shareholders	<b>38,211</b>	60,052	-36.4%
<b>PER SHARE DATA</b>			
Earnings per share – basic	<b>RMB0.083</b>	RMB0.134	-38.1%
Earnings per share – diluted	<b>RMB0.083</b>	RMB0.132	-37.1%
Net asset value per share	<b>RMB1.490</b>	RMB1.286	15.9%
<b>KEY STATISTICS</b>			
GP ratio	<b>22.9%</b>	29.1%	-6.2%
EBITDA margin	<b>13.0%</b>	19.7%	-6.7%
Operating profit margin	<b>10.9%</b>	17.5%	-6.6%
Net profit margin	<b>7.7%</b>	14.9%	-7.2%
Return on equity	<b>5.6%</b>	10.4%	-4.8%
Interest coverage – Times	<b>9.9</b>	15.4	-5.5
Inventory turnover days (excludes inventory in-transit)	<b>147</b>	157	-10
Debtor turnover days	<b>76</b>	38	38
Creditor turnover days	<b>75</b>	85	-10
<b>KEY OPERATIONAL DATA (units sold)</b>			
CNG trailers	<b>165</b>	138	19.6%
Compressed specialty gas trailers	<b>4</b>	10	-60.0%
Seamless pressure cylinders	<b>1,101</b>	306	259.8%
LNG trailers and tanks	<b>42</b>	49	-14.3%
LPG tank trucks	<b>101</b>	46	119.6%
CNG refueling system			
– Hydraulic power units	<b>21</b>	25	-16.0%
– Refueling station trailers	<b>22</b>	46	-52.2%
Compressors	<b>87</b>	75	16.0%

## Management Discussion and Analysis

### Business Review

The Group is a leading specialised energy equipment manufacturer and integrated business solutions ("IBS") provider in the People's Republic of China (the "PRC"). It designs, manufactures and sells specialised gas equipment including seamless pressure cylinders, compressed natural gas ("CNG") trailers, natural gas refueling station systems, liquefied natural gas ("LNG") storage tanks, LNG trailers and natural gas compressors. The Group also offers IBS, which are comprehensive services comprising the design, manufacture and sale of gas equipment system, on-site installation, staff training and after-sales services. Products and services of the Group cater to the needs of city gas operators, gas refueling station operators and specialty gas suppliers and users, and are essential for the transportation, storage and distribution of natural gas and specialty gases.

#### *Turnover for the six months ended 30 June 2008*

Turnover of the Group during the six months ended 30 June 2008 rose by 22.6% to RMB493,675,000 from RMB402,608,000 for the same period in 2007.

Benefited from the continuous surge in the global demand for equipment for the storage and transportation of natural gas and specialty gases, the Group's pressure vessel business experienced a robust growth for the six months ended 30 June 2008. Turnover of pressure vessels increased by 51.3% to RMB357,739,000 in comparison with the same period of 2007.

However, as a significant sum of orders were received in the late of the second quarter, the Group could only recognise sales of 21 sets of hydraulic power unit ("HPU") and 22 units of refueling station trailer in the first half 2008 (corresponding period in 2007: 25 sets and 46 units respectively), the turnover of IBS for the period decreased by 32.1% over the same period of 2007 to RMB65,309,000.

Even though the market competition is strong in the segment of compressors, the Group still recorded a 1.1% rise in turnover to RMB70,627,000 (same period of 2007: RMB69,940,000).

*Gross profit margin and profitability*

The Group's gross profit margin ("GP margin") for the period decreased by 6.2 percentage points to 22.9% from 29.1% for the corresponding period in 2007.

Segment-wise, increase in the cost of raw materials led to a decline in the pressure vessels segment's GP margin to 17.9% for the first half of 2008 from 23.3% for the same period in 2007. Within this segment, LNG storage and transportation products and chemical storage and transportation products have been hardest hit by the rising cost of raw materials which saw an erosion of their respective GP margin. However, with the increased utilisation of domestically procured special steel pipes, which are more economical than the imported ones, the CNG storage and transportation products have been able to curb the GP margin from further falling. The GP margin for the compressors segment also decreased to 27.8% from 32.5% for the same period in 2007 mainly due to a rise in the cost of raw materials. In relation to the segment of IBS, the GP margin is affected by the mix of higher GP margin HPUs and the lower margin refueling station trailers. During the period, the HPU to refueling station trailer ratio was 1:1.05 in comparison with 1:1.84 for the same period of 2007 which means the lower margin refueling station trailers accounted for a smaller portion of the segment turnover in the first half of 2008. In addition, the profit margin for Series 2000 HPU is better than the first generation HPU. These two factors combined to cause the IBS's segment GP margin to rise to 45.5% from 41.1% in the corresponding period in 2007.

Profit from operations expressed as a percentage of turnover fell by 6.6 percentage points to 10.9% for the six months ended 30 June 2008, which is attributable to several key reasons: (1) a higher cost in human resources; (2) increased research and development ("R&D") spending; (3) rising rental expenditures; and (4) a surge in transportation costs with the Group's growing export sales. The net profit margin for the six months ended 30 June 2008 plummeted by 7.2 percentage points to 7.7% from 14.9% for the same period in 2007. Apart from the abovementioned reasons that caused the plunge in net profit, the new tax regime in the PRC also played a role in raising the Group's tax expenses. Under the new tax regime, the Group's PRC subsidiaries are required to pay withholding taxes on dividends to their foreign investors arising from profits earned after 1 January 2008. Accordingly, the Group has recognised such withholding tax expense as deferred tax liability in the first half of 2008 which increased both the Group's effective tax rate and tax expense substantially.

Net profit attributable to equity shareholders for the six months ended 30 June 2008 fell to RMB38,211,000 from RMB60,052,000 for the corresponding period in 2007, representing a decrease of 36.4%. Basic and diluted earnings per share were both RMB0.083 (corresponding period in 2007: RMB0.134 and RMB0.132 respectively).

### *Operational performance*

During the six months ended 30 June 2008, revenue contribution from CNG trailers, compressed specialty gas trailers and storage cylinders increased significantly to RMB272,035,000, representing a 57.3% growth over the same period in 2007. However, the performance of the pressure vessels segment was dragged down by the decline of 13.9% in sale of LNG trailers and tanks of RMB35,071,000 for the period (corresponding period of 2007: RMB40,744,000).

During the period, the Group sold 21 sets of HPU. The average selling price ("ASP") of HPU increased by 5.5% to approximately RMB1,381,000 over the same period of 2007. However, the Group sold 22 CNG refueling station trailers in the six months ended 30 June 2008, representing a decrease of 24 trailers compared with the same period of 2007. Accordingly, the revenue from the IBS segment for the period recorded a decline of 32.1% to RMB65,309,000 over the same period in 2007.

Compressors segment remains an important revenue stream of the Group. Although the revenue from compressors for the period increased by 1.1% over the same period of 2007, the ASP of compressors decreased slightly by 1.0% to RMB336,000.

### *Research and development*

In anticipation of China's mounting emphasis on the importance of energy diversification, in the first half of 2008, several projects in relation to natural gas and coalbed methane liquefaction system, light-weight composite cylinders and 45MPa pressure cylinders for hydrogen fuel remain under development. The Group devoted RMB8,375,000 (corresponding period of 2007: RMB4,892,000) to the R&D of new products and manufacturing technologies.

### *Production capacity*

In the first half of 2008, the Group invested RMB26,871,000 in capital expenditure. During the period, the production plant of seamless pressure cylinders has increased to an annual output of approximately 10,000 units. For coping with surging market demand in coming years, the Group has decided to increase the annual production capacity to approximately 12,000 units by 2009.

### *Sales and marketing*

The Group delivers its products and services to 29 provinces, autonomous regions and municipalities and runs sales offices in nine cities in the PRC.

The Group has become one of Air Products global equipment suppliers since 2007. Within the top 20 customers of the Group, most of them are oil and gas giants, including PetroChina, Sinopec, Petroleum Authority of Thailand (PTT), Xinao Gas and Jincheng Anthracite Mining Group, and international atmospheric gases corporations such as Air Liquide.

In order to maintain the Group's sustainable growth, proactive expansion of export business is one of the Group's long term development strategies. The Group has opened up US market during the period and products were also exported to Thailand, Indonesia, Pakistan, Myanmar, Vietnam, etc. with total export amounted to RMB73,593,000, representing a 63.5% boost over the same period of 2007.

### *Domestic procurement*

Previously, most of the special steel pipes for the production of seamless pressure cylinders were imported from overseas suppliers. With the continuing technological advancement in the PRC, the Group has commenced to bulk source special steel pipes from Chinese steel suppliers since May 2007. During the period, the Group procured 8,250 metric tons of special steel pipes from Chinese steel suppliers, which accounted for 49.0% of total purchase of special steel pipes. As the domestic steel price is lower than that of overseas, the Group will gradually increase the proportion of sourcing Chinese special steel pipes to better control its cost of production in long run.

### *Human resources*

At 30 June 2008, the total number of employees of the Group was approximately 1,770. Total staff costs (including Directors' emoluments and retirement benefits schemes contributions) were approximately RMB43,411,000 (same period of 2007: RMB33,959,000). There have been no material changes in respect of employee incentive and bonus policies, share option scheme and training scheme as disclosed in the Annual Report 2007.

### *Customer service*

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

During the period, the Group organised regular conferences where customers were encouraged to share their opinion on the Group's products and services.

In 2007, the Group, collaborating with the Chinese Institute of Specialty Equipment Inspection and Testing, established its first examination centre for high pressure cylinder trailers in Changzhou. The second examination centre has been set up in Urumqi during the period. CNG trailers and other high pressure cylinder trailers are required to pass certain safety examinations in accordance with relevant safety regulations in order to obtain special-vehicle license renewal. The centres are authorised to provide such examination services. The Group plans to establish more examination centres to optimise its after-sales service network across the PRC and expand its income stream.

## **Financial Resources Review**

### *Liquidity and capital resources*

The Group has been cautious in managing its financial resources and gearing ratio. At 30 June 2008, the Group recorded cash on hand of RMB205,483,000 (31 December 2007: RMB273,875,000) and bank loans of RMB184,025,000 (31 December 2007: RMB140,899,000). A portion of the Group's bank deposits totalling RMB16,815,000 (31 December 2007: RMB16,684,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans when they fall due. The Group will continue to take a prudent approach in future development and capital expenditures.

At 30 June 2008, all bank loans of the Group were guaranteed by the Company's subsidiaries, bearing interest at rates from 6.3% to 7.5% 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 2007: zero times) as the Group retained a net cash balance of RMB21,458,000 at 30 June 2008 (31 December 2007: RMB132,976,000). The Group's interest coverage for the period was 9.9 times (corresponding period in 2007: 15.4 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments. In order to fulfil the sales orders on hand as of 30 June 2008, closing inventories level increased by RMB73,312,000 to RMB350,218,000 at 30 June 2008, which occupied a portion of the Group's working capital.

During the period, net cash used in operating activities amounted to RMB80,620,000 (corresponding period in 2007: RMB126,646,000). The Group drew bank loans of RMB149,669,000 (corresponding period in 2007: RMB156,331,000) and repaid RMB105,773,000 during the period (corresponding period in 2007: RMB125,316,000). Apart from drawing bank loans, the Group did not engage in other forms of financing activities in the current period.

#### *Assets and liabilities*

At 30 June 2008, total assets of the Group amounted to RMB1,117,378,000 (31 December 2007: RMB1,060,915,000) while total liabilities was RMB433,325,000 (31 December 2007: RMB415,073,000). The net asset value rose by RMB38,211,000 to RMB684,053,000 which was attributed to the net profit for the period. As a result, the net asset value per share increased to RMB1.490 at 30 June 2008 from RMB1.407 at 31 December 2007.

#### *Contingent liabilities*

At 30 June 2008, the Group did not have any significant contingent liabilities.

#### *Capital commitments*

At 30 June 2008, the Group had contracted but not provided for capital commitments of RMB2,790,000 (31 December 2007: RMB4,792,000), and authorised but not contracted for capital commitments of nil (31 December 2007: RMB700,000). The contracted but not provided for commitments include, amongst others, RMB1,666,000 for upgrade of the existing seamless pressure cylinder products production facilities.

### *Foreign exchange exposure*

The Group earns revenue and incurs cost mainly in Renminbi ("RMB") and Hong Kong dollars ("HKD"). In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate between HKD and RMB had no drastic fluctuation in the past few years, the Group controls its exchange rate risks by raising funds in the denominations of its principal operating assets and revenue. Borrowings are also primarily denominated in RMB. However, the Group has bank deposits in HKD and other foreign currencies, RMB's appreciation during the period against HKD and other foreign currencies caused aggregately an exchange loss of RMB1,228,000. Since the Group's assets and liabilities are primarily denominated in RMB and the Group earns revenue and incurs cost in RMB, the Group thus considers the impact of foreign exchange exposure on the Group is insignificant.

### *Expected source of funding for capital expenditure*

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. The Group has sufficient sources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement.

## **Future Plan and Strategies**

The Group has adopted various measures and strategies with an aim to regain its satisfactory business performance in the second half of 2008.

One of the reasons for the disappointing results for the period is attributable to the downturn of sales of CNG refueling stations. Nevertheless, the sales of the stations are set to rebound under the proactive sales strategies taken by the Group in the second half of 2008. At the date of this report, the Group has received confirmed orders for over 50 sets of CNG refueling station system. As more new orders are expected to be placed in coming few months, the revenue contributed by the IBS segment in the second half 2008 is promising.

The overall gross profit margin was deteriorated by the continuous price hikes of raw materials during the period. The Group has implemented price raising policy for most of its products. Supported by its commitment in providing quality products and services, the Group believes that customers are willing to accept a reasonable increase in selling price of its products. Moreover, the Group has implemented new measures to better control variable costs and expenses in order to avoid unnecessary expenditures.



In the first half this year, the cost of CNG trailers and storage cylinders was well managed because the Group successfully raised the proportion of the usage of domestic special steel pipes as opposed to the more expensive overseas ones. While upholding its pledge to provide the best quality products, the Group will continue to procure more domestically made raw materials for better control of cost of production.

The global economy has undergone a rapid change in the first half of 2008. Considering enterprises generally tend to be more prudent in capital expenditures in uncertain economy, the Group has adopted a more proactive sales strategy to assist customers to obtain finance lease provided by financial institutions so as to relieve their financing burden.

Given that the Group's products are certified by the American Society of Mechanical Engineers ("ASME") and the U.S. Department of Transportation, the Group enjoys a competitive position in exporting products to the global market, which is evidenced by the encouraging growth in export during the period. Expansion of the overseas, especially the U.S. and Asian markets, remains to be one of the most important development strategies of the Group.

Leveraging on its existing manufacturing technologies and market reputation, the Group will strive for exploring investment opportunities in the energy equipment industry.

It is confident that with proactive steps to improve and enhance its operational performance and a dedicated desire to become a world leading energy equipment manufacturer and integrated business solutions provider, the Group will continue to grow healthily and bring satisfactory returns to shareholders.

## Supplementary Information

### Directors' Interests in Shares

As at 30 June 2008, the interests and short positions of Directors and chief executives 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:

Name of Director	Capacity	Interests in ordinary shares of the Company	% of total issued share capital of the Company <i>(Note)</i>
Mr. Jin Yongsheng	Beneficial owner	246,000	0.05%

*Note:* The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2008, which was 459,000,000 ordinary shares.

Save as disclosed above, as at 30 June 2008, 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.

### Substantial Shareholders' Interests in Shares

As at 30 June 2008, the interests and short positions of every person, other than Directors and chief executives 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:

Name of shareholder	Capacity	Interests in ordinary shares of the Company	% of total issued share capital of the Company <i>(Note 1)</i>
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 <i>(Note 2)</i>	41.55%
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Interest of controlled corporation	190,703,000 <i>(Note 2)</i>	41.55%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 <i>(Note 2)</i>	41.55%
Mr. Wang Yusuo ("Mr. Wang")	Interest of controlled corporation and beneficial owner	45,441,000 <i>(Note 3)</i>	9.90%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	45,441,000 <i>(Note 3)</i>	9.90%
Commonwealth Bank of Australia	Interest of controlled corporation	44,963,000	9.80%
Xinao Group International Investment Limited ("XGII")	Beneficial owner	43,441,000 <i>(Note 3)</i>	9.46%
DnB Nor Asset Management (Asia) Limited	Investment manager	35,340,000	7.70%
Symbiospartners Private Equity Limited	Beneficial owner	26,016,000	5.67%

*Notes:*

1. The percentages are calculated based on the total number of issued shares of the Company as at 30 June 2008, which was 459,000,000 ordinary shares.
2. The three references to 190,703,000 shares refer to the same block of shares held by Charm Wise, which is wholly owned by CIMC HK, a wholly-owned subsidiary of CIMC.
3. The 45,441,000 shares comprise (i) 43,441,000 shares relating to the same block of shares held by XGII, which is beneficially owned as to 50% by Mr. Wang and as to 50% by Ms. Zhao; and (ii) 2,000,000 shares beneficially owned by Mr. Wang, and Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in the same shares.

Save as disclosed above, as at 30 June 2008, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company; and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

**Share Options**

The Company has adopted a share option scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. The purpose of the scheme 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 2007.

During the interim period, no option has been granted under the scheme.

## Competing Interests

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

<b>Name of Director</b>	<b>Name of entity (Note)</b>	<b>Description of business</b>	<b>Nature of interest of the Director in the entity</b>
Mr. Jin Jianlong	Nantong CIMC Tank Equipment Co., Ltd.	The production and sales of stainless steel tank containers	director
Mr. Wu Fapei	Nantong CIMC Tank Equipment Co., Ltd.	(same as above)	director
Mr. Shi Caixing	Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd.	The design, production, sales and technical service of cryogenic storage and transportation equipment	director

*Note:*

1. All the abovementioned entities have names in Chinese only, and the corresponding English names used in this report are merely for reference.

## 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 2008.

## **Corporate Governance**

The Company understands that shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing shareholders' value and interests. During the first half of 2008, the Company has complied with all the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

### **Audit Committee and Other Board Committees**

The Company has established an Audit Committee, which comprises three Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2008.

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 abovementioned committees are available on request or on the Company's website at [www.enricgroup.com](http://www.enricgroup.com).

### **Purchase, Sale or Redemption of Listed Securities**

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

## Directors

As at the date of this report, the Board consists of Mr. Zhao Qingsheng (*Chairman*), Mr. Jin Yongsheng (*Chief Executive Officer*), Mr. Wu Fapei, Mr. Jin Jianlong, Mr. Yu Yuqun, Mr. Shi Caixing and Mr. Qin Gang as Executive Directors, Mr. Yang Yu as a Non-executive Director and Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Shou Binan as Independent Non-executive Directors.

By order of the Board

**Zhao Qingsheng**

*Chairman*

Hong Kong, 22 August 2008

The Enric logo features the word "Enric" in a bold, blue, sans-serif font. The letter "E" is stylized with a horizontal bar that transitions from orange to yellow.

**安瑞科能源裝備控股有限公司**  
**Enric Energy Equipment Holdings Limited**

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