

# 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



2010  
INTERIM  
REPORT  
中期報告





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## Financial Highlights

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000	+/-
<b>FINANCIAL POSITION</b>			
Total assets	<b>4,444,084</b>	4,296,521	3.4%
Net assets	<b>2,635,574</b>	2,575,492	2.3%
Net current assets	<b>1,534,841</b>	1,484,466	3.4%
Cash balances	<b>711,441</b>	872,640	-18.5%
Bank loans and overdrafts	<b>126,294</b>	193,151	-34.6%
Gearing ratio <sup>1</sup>	<b>4.8%</b>	7.5%	-2.7%
<b>For Six months ended 30 June</b>			
	2010 RMB'000	2009 RMB'000 (restated)	+/-
<b>OPERATING RESULTS</b>			
Turnover	<b>1,632,199</b>	1,320,170	23.6%
Gross profit	<b>306,431</b>	257,970	18.8%
EBITDA	<b>217,442</b>	113,692	91.3%
Profit from operations	<b>163,455</b>	82,544	98.0%
Profit for the period	<b>118,894</b>	50,599	135.0%
Profit attributable to equity shareholders	<b>115,372</b>	50,599	128.0%
<b>PER SHARE DATA</b>			
Earnings per share – basic	<b>RMB0.062</b>	RMB0.027	129.6%
Earnings per share – diluted	<b>RMB0.061</b>	RMB0.027	125.9%
Net asset value per share	<b>RMB1.407</b>	RMB1.283	9.7%
<b>KEY STATISTICS</b>			
GP ratio	<b>18.8%</b>	19.5%	-0.7%
EBITDA margin	<b>13.3%</b>	8.6%	4.7%
Operating profit margin	<b>10.0%</b>	6.3%	3.7%
Net profit margin	<b>7.3%</b>	3.8%	3.5%
Return on equity <sup>2</sup>	<b>4.5%</b>	2.0%	2.5%
Interest coverage – Times	<b>38.3</b>	3.9	34.4
Inventory turnover days <sup>3</sup>	<b>133</b>	218	-85
Debtor turnover days	<b>104</b>	112	-8
Creditor turnover days	<b>100</b>	86	14

Note:

- 1 Gearing ratio = Bank loans and overdrafts/Total equity
- 2 Return on equity = Net profit/Total equity
- 3 Excludes inventory in-transit



## Independent Review 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 29 which comprises the consolidated balance sheet of CIMC Enric Holdings Limited as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and 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 2010 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

20 August 2010

# Consolidated Income Statement

For the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000 (restated)
<b>Turnover</b>	4	<b>1,632,199</b>	1,320,170
Cost of sales		<b>(1,325,768)</b>	(1,062,200)
<b>Gross profit</b>		<b>306,431</b>	257,970
Change in fair value of derivative financial instruments		–	13,460
Other revenue	5	<b>38,824</b>	18,739
Other net expenses	5	<b>(982)</b>	(110)
Selling expenses		<b>(57,460)</b>	(50,469)
Administrative expenses		<b>(123,358)</b>	(157,046)
<b>Profit from operations</b>		<b>163,455</b>	82,544
Finance costs	6	<b>(3,500)</b>	(31,975)
<b>Profit before taxation</b>	6	<b>159,955</b>	50,569
Income tax	7	<b>(41,061)</b>	30
<b>Profit for the period</b>		<b>118,894</b>	50,599
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>115,372</b>	50,599
Non-controlling interests		<b>3,522</b>	–
<b>Profit for the period</b>		<b>118,894</b>	50,599
<b>Earnings per share</b>	8		
– Basic		<b>0.062</b>	0.027
– Diluted		<b>0.061</b>	0.027

The notes on pages 10 to 29 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16(a).

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
<b>Profit for the period</b>	<b>118,894</b>	50,599
<b>Other comprehensive income for the period</b>		
Exchange difference on translation of financial statements of overseas subsidiaries	(82,012)	539
<b>Total comprehensive income for the period</b>	<b>36,882</b>	51,138
<b>Attributable to:</b>		
Equity shareholders of the Company	33,360	51,138
Non-controlling interests	3,522	–
<b>Total comprehensive income for the period</b>	<b>36,882</b>	51,138

The notes on pages 10 to 29 form part of this interim financial report.

# Consolidated Balance Sheet

At 30 June 2010 – unaudited

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	885,389	884,932
Construction in progress		142,420	135,411
Lease prepayments		199,443	203,027
Intangible assets		45,263	55,857
Prepayments		–	190
Goodwill		42,999	43,046
Deferred tax assets		20,165	32,848
Other financial assets		3,247	5,689
		<b>1,338,926</b>	1,361,000
<b>Current assets</b>			
Derivative financial instruments		–	39
Inventories	10	1,044,428	905,999
Trade and bills receivable	11	974,978	901,961
Deposits, other receivables and prepayments		329,750	242,272
Amounts due from related parties	18(b)	44,561	12,610
Cash at bank and in hand	12	711,441	872,640
		<b>3,105,158</b>	2,935,521
<b>Current liabilities</b>			
Derivative financial instruments		276	261
Bank loans and overdrafts	13	104,314	153,587
Trade and bills payable	14	815,734	651,883
Other payables and accrued expenses		568,446	536,127
Income tax payable		18,557	37,488
Amounts due to related parties	18(b)	43,583	47,342
Provisions		19,157	24,112
Employee benefit liabilities		250	255
		<b>1,570,317</b>	1,451,055
<b>Net current assets</b>		<b>1,534,841</b>	1,484,466
<b>Total assets less current liabilities</b>		<b>2,873,767</b>	2,845,466

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Provisions		18,060	18,803
Deferred income		109,373	110,036
Employee benefit liabilities		1,822	2,293
Deferred tax liabilities		86,958	99,278
Bank loans	13	21,980	39,564
		<u>238,193</u>	<u>269,974</u>
<b>NET ASSETS</b>		<u>2,635,574</u>	<u>2,575,492</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		17,235	17,235
Reserves	16	2,605,490	2,548,930
<b>Equity attributable to equity shareholders of the Company</b>		<u>2,622,725</u>	<u>2,566,165</u>
Non-controlling interests		12,849	9,327
<b>TOTAL EQUITY</b>		<u>2,635,574</u>	<u>2,575,492</u>

The notes on pages 10 to 29 form part of this interim financial report.



# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – 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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			16(b)	16(c)		16(d)				
<b>At 1 January 2009 (restated)</b>	4,769	287,517	819,672	-	(121,816)	55,798	1,306,015	2,351,955	-	2,351,955
<b>Change in equity for the six months ended 30 June 2009:</b>										
Transfer to general reserve	-	-	-	-	-	1,546	(1,546)	-	-	-
Total comprehensive income for the period	-	-	-	-	539	-	50,599	51,138	-	51,138
<b>At 30 June 2009 and 1 July 2009</b>	4,769	287,517	819,672	-	(121,277)	57,344	1,355,068	2,403,093	-	2,403,093
<b>Change in equity for the six months ended 31 December 2009:</b>										
Issuance of share	12,466	-	(12,466)	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	8,794	8,794
Equity-settled share-based transactions	-	-	-	6,620	-	-	-	6,620	-	6,620
Dividend declared by a subsidiary in respect of the current year	-	-	-	-	-	-	-	-	(257)	(257)
Transfer to general reserve	-	-	-	-	-	9,554	(9,554)	-	-	-
Total comprehensive income for the period	-	-	-	-	7,320	-	149,132	156,452	790	157,242
<b>At 31 December 2009</b>	17,235	287,517	807,206	6,620	(113,957)	66,898	1,494,646	2,566,165	9,327	2,575,492
<b>At 1 January 2010</b>	17,235	287,517	807,206	6,620	(113,957)	66,898	1,494,646	2,566,165	9,327	2,575,492
<b>Change in equity for the six months ended 30 June 2010:</b>										
Equity-settled share-based transactions	-	-	-	23,200	-	-	-	23,200	-	23,200
Transfer to general reserve	-	-	-	-	-	5,666	(5,666)	-	-	-
Total comprehensive income for the period	-	-	-	-	(82,012)	-	115,372	33,360	3,522	36,882
<b>At 30 June 2010</b>	17,235	287,517	807,206	29,820	(195,969)	72,564	1,604,352	2,622,725	12,849	2,635,574

The notes on pages 10 to 29 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000 (restated)
Cash generated from operations		80,894	264,350
Tax paid		(59,629)	(24,367)
Net cash generated from operating activities		21,265	239,983
Net cash used in investing activities		(83,164)	(74,385)
Net cash (used in)/generated from financing activities		(73,423)	83,717
Net (decrease)/increase in cash and cash equivalents		(135,322)	249,315
Cash and cash equivalents at 1 January	12	783,697	278,422
Effect of foreign exchange rate changes		(38,089)	1,567
Cash and cash equivalents at 30 June	12	610,286	529,304

The notes on pages 10 to 29 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

## 1. Basis of preparation

### (a) *Statement of compliance*

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 20 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted by CIMC Enric Holdings Limited and its subsidiaries (collectively referred to as the “Group”) in the preparation of the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

### (b) *Basis of preparation of the interim financial report*

On 14 August 2009, the following very substantial acquisitions were completed:

- the Company acquired from China International Marine Containers (Hong Kong) Limited (“CIMC HK”) and CIMC Vehicle Investment Holdings Company Limited 80.04% and 19.96%, respectively, of the issued share capital of Sound Winner Holdings Limited (“Sound Winner”); and
- the Company acquired from CIMC HK and P.G.M. Holding B.V. 80% and 20%, respectively, the issued share capital of Full Medal Limited (“Full Medal”).

The details of the above transactions are set out in a circular to shareholders of the Company dated 3 June 2009.

Since the Company, Sound Winner and its subsidiaries (“Sound Winner Group”) and Full Medal and its subsidiaries (“Full Medal Group”) are ultimately controlled by China International Marine Containers (Group) Co., Ltd. (“CIMC”) both before and after the abovementioned acquisitions, these acquisitions are regarded as “common control combinations”. Accordingly, the Company has applied merger accounting to account for the acquisitions of Sound Winner Group and Full Medal Group in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combinations occur are included in the consolidated interim financial statements of the combined entity as if the combinations had occurred from the date when the combining entities first came under the control of the controlling party. Accordingly, the consolidated interim financial statements have been prepared on the basis that the Company was the holding company of the Group throughout the six months ended 30 June 2009, rather than from 14 August 2009. The consolidated interim financial statements of the Group for the six months ended 30 June 2009 include the financial statements of the Company and its subsidiaries with effect from 1 January 2009 or where their respective dates of establishment are at a date later than 1 January 2009, from the respective dates of establishment, as if the current combined entity had been in existence throughout the six months ended 30 June 2009.

Reconciliation of the results of operations for the six months ended 30 June 2009 previously reported by the Group and the restated amounts presented in the consolidated interim financial statements are set out below:

	<b>The Group (as previously reported)</b>	<b>Sound Winner Group</b>	<b>Full Medal Group</b>	<b>Elimination</b>	<b>The Group (restated)</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000


Results of operations for the

six months ended 30 June 2009

Revenue	409,362	562,700	348,115	(7)	1,320,170
Profit from operations	62,644	(14,814)	34,706	8	82,544
Basic earnings per share (RMB)	0.098	-	-	-	0.027

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.

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 2009 annual financial statements. The condensed consolidated interim 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 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2010.

## 2. Changes in accounting policies

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

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)

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


The "Improvements to HKFRSs (2009)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder’s fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
  - In addition to the Group’s existing policy of measuring the non-controlling interests (previously known as the “minority interests”) in the acquiree at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

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- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:
    - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.
    - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods.

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively.

### 3. Segment reporting

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Energy equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas and petroleum gas such as compressed natural gas ("CNG") trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors.
- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage and transportation of chemicals for industrial use for instance intermodal tank containers.
- Liquid food equipment: this segment specialises the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk.

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

In accordance with HKFRS 8, segment information disclosed in these financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

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



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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes 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 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)		(restated)		(restated)		(restated)
Revenue from external customers	992,908	654,480	432,011	317,575	207,280	348,115	1,632,199	1,320,170
Inter-segment revenue	12	24	-	-	-	-	12	24
<b>Reportable segment revenue</b>	<b>992,920</b>	<b>654,504</b>	<b>432,011</b>	<b>317,575</b>	<b>207,280</b>	<b>348,115</b>	<b>1,632,211</b>	<b>1,320,194</b>
<b>Reportable segment profit (adjusted profit from operations)</b>	<b>120,056</b>	<b>79,020</b>	<b>46,146</b>	<b>(28,405)</b>	<b>18,303</b>	<b>34,706</b>	<b>184,505</b>	<b>85,321</b>

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Reportable segment assets</b>	<b>2,505,774</b>	<b>2,496,378</b>	<b>1,232,982</b>	<b>981,750</b>	<b>691,688</b>	<b>792,679</b>	<b>4,430,444</b>	<b>4,270,807</b>
<b>Reportable segment liabilities</b>	<b>1,070,769</b>	<b>1,092,454</b>	<b>411,796</b>	<b>202,943</b>	<b>193,552</b>	<b>216,510</b>	<b>1,676,117</b>	<b>1,511,907</b>

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
<b>Revenue</b>		
Reportable segment revenue	1,632,211	1,320,194
Elimination of inter-segment revenue	(12)	(24)
Consolidated turnover	<u>1,632,199</u>	<u>1,320,170</u>

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
<b>Profit</b>		
Reportable segment profit	184,505	85,321
Elimination of inter-segment profits	(1,024)	173
Reportable segment profit derived from the Group's external customers	183,481	85,494
Finance costs	(3,500)	(31,975)
Unallocated operating income and expenses	(20,026)	(2,950)
Consolidated profit before taxation	<u>159,955</u>	<u>50,569</u>

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Assets</b>		
Reportable segment assets	4,430,444	4,270,807
Elimination of inter-segment receivables	(18,685)	(12,458)
	<b>4,411,759</b>	4,258,349
Deferred tax assets	20,165	32,848
Unallocated assets	12,160	5,324
	<b>4,444,084</b>	4,296,521

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Liabilities</b>		
Reportable segment liabilities	1,676,117	1,511,907
Elimination of inter-segment payables	(18,685)	(12,458)
	<b>1,657,432</b>	1,499,449
Income tax payable	18,557	37,488
Deferred tax liabilities	86,958	99,278
Unallocated liabilities	45,563	84,814
	<b>1,808,510</b>	1,721,029

#### 4. Turnover

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

## 5. Other revenue and other net expenses

		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000 (restated)
<b>Other revenue</b>			
Government grants	(i)	5,119	1,024
Other operating revenue	(ii)	28,891	15,862
Interest income from bank deposits		4,814	1,853
		38,824	18,739
<b>Other net expenses</b>			
Net gain/(loss) on disposal of property, plant and equipment		28	(198)
Charitable donations		(138)	(50)
Other net (expenses)/income		(872)	138
		(982)	(110)

- (i) Government grants represent various forms of incentives and subsidies given to subsidiaries by the PRC government.
- (ii) Other operating revenue consists mainly of income earned from subcontracting service and the sale of scrap materials.

## 6. Profit before taxation

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

### (i) Finance costs

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
Interest on bank loans and other borrowings	4,282	17,621
Foreign exchange (gain)/loss	(1,290)	12,869
Finance charges	508	1,485
	<u>3,500</u>	<u>31,975</u>

### (ii) Other items

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
Depreciation of property, plant and equipment	46,723	39,660
Amortisation of intangible assets	4,337	4,135
Amortisation of lease prepayments	2,146	1,708
Impairment losses for:		
– Trade receivables	3,837	8,545
– Other receivables	3	46
Reversal of impairment losses of trade receivables	(2,047)	–
Write-down of inventories	4,855	31,905
Reversal of write-down of inventories	(25,602)	(1,673)
Research and development expenses	26,246	16,818
Operating lease charges for property rental	1,775	1,540
Provision for product warranties	2,063	1,639
Equity-settled share-based payment expenses	23,200	–
	<u>23,200</u>	<u>–</u>

## 7. Income tax

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000 (restated)
Current tax	30,876	8,109
Deferred tax	10,185	(8,139)
	<u>41,061</u>	<u>(30)</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 Group's operating subsidiaries are subject to income taxes in the respective tax jurisdictions.

According to the Corporate Income Tax Law of the People's Republic of China ("PRC tax law"), the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%. Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from state income tax for the first two years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in state income tax rate for the following three years.

According to the PRC tax law, the existing preferential tax rate currently enjoyed by the Group is gradually transitioned to the new standard rate of 25% over a five-year transitional period starting from 2008. 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 2010, 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 state income tax at 12.5% to 25% (six months ended 30 June 2009: 12.5% to 25%).

Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and the PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax from 1 January 2008 and onwards. As at 30 June 2010, deferred tax liability amounting to RMB29,330,000 (as at 30 June 2009: RMB23,548,000 as restated) had been recognised in this regard so far.

Taxation of Dutch subsidiaries, Belgian subsidiaries and Danish subsidiaries are charged at the current rates of 25.50%, 33.99% and 25% respectively ruling in the relevant countries and are calculated on a stand-alone basis.

## 8. Earnings per share

As detailed in note 1(b), the Company has applied merger accounting to account for the acquisitions of Sound Winner Group and Full Medal Group which are under common control in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" under which the consolidated financial statements have been prepared on the basis that the Company was the holding company of the acquired subsidiaries for both periods presented, rather than from 14 August 2009 (date of completion). The Company has issued 398,452,201 ordinary shares and 1,015,641,321 non-redeemable convertible preference shares as consideration for the acquisitions. In the calculation of weighted average number of ordinary shares and non-redeemable convertible preference shares in issue, these shares have been treated as if they had been in issue during both periods presented.

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<b>115,372</b>	50,599
Number of shares		
Weighted average number of ordinary shares	<b>857,452,201</b>	857,452,201
Weighted average number of non-redeemable convertible preference shares	<b>1,015,641,321</b>	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	<b>1,873,093,522</b>	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme (note 15)	<b>6,861,684</b>	–
Weighted average number of shares for the purpose of diluted earnings per share	<b>1,879,955,206</b>	1,873,093,522

## 9. Property, plant and equipment

During the six months ended 30 June 2010, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB84,540,000 (six months ended 30 June 2009: RMB37,962,000 as restated). Items of property, plant and equipment with net book value totalling RMB25,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB546,000 as restated), resulting in a gain on disposal of RMB28,000 (six months ended 30 June 2009: a loss on disposal of RMB198,000 as restated).

## 10. Inventories

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Raw materials	559,836	482,359
Consignment materials	25,747	8,030
Goods in transit	5,484	–
Work in progress	260,650	268,487
Finished goods	192,711	147,123
	<u>1,044,428</u>	<u>905,999</u>

During the six months ended 30 June 2010, RMB4,855,000 (six months ended 30 June 2009: RMB31,905,000 as restated) has been recognised as a reduction in the amount of inventories as an expense in profit or loss during the period to write down the inventories to estimated net realisable value.



## 11. Trade and bills receivable

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Current	642,504	608,105
Less than 1 month past due	101,187	88,144
1 to 3 months past due	43,348	70,287
More than 3 months but less than 12 months past due	144,200	88,229
More than 12 months past due	43,739	47,196
Amounts past due	332,474	293,856
	<b>974,978</b>	<b>901,961</b>

Trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms 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.

## 12. Cash at bank and in hand

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash in hand and demand deposits	595,409	790,040
Restricted bank deposits for letters of credit and bills payable within three months of maturity	30,225	4,660
Bank overdrafts	(15,348)	(11,003)
<b>Cash and cash equivalents</b>	<b>610,286</b>	<b>783,697</b>
Restricted bank deposits for letters of credit and bills payable with maturity of more than three months	85,807	77,940
Add back bank overdrafts	15,348	11,003
	<b>711,441</b>	<b>872,640</b>

### 13. Bank loans and overdrafts

At 30 June 2010, the bank loans and overdrafts were repayable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year or on demand	104,314	153,587
After 1 year but within 2 years	21,980	17,584
After 2 years but within 5 years	-	21,980
	21,980	39,564
	126,294	193,151

At 30 June 2010, bank overdrafts of RMB11,194,000 (31 December 2009: RMB6,145,000) were secured by a pledge on buildings which had a carrying value of RMB4,335,000 (31 December 2009: RMB5,751,000). Save as disclosed above, all the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 1.9% to 5.3% for the six months ended 30 June 2010 (six months ended 30 June 2009: 2% to 7.5% as restated).

### 14. Trade and bills payable

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade creditors	668,034	194,026
Bills payable	147,700	457,857
	815,734	651,883

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Due within 3 months or on demand	805,294	626,599
Due after 3 months but within 12 months	7,924	25,136
Due after 12 months	2,516	148
	<u>815,734</u>	<u>651,883</u>

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

#### 15. Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 12 July 2006 whereby the directors of the Company are authorised, at their discretion, to invite eligible persons of the Group, including directors of any company in the Group, to take up options at a consideration of HKD 1.00 to subscribe for shares of the Company. The options vest 50% after one year and 50% after two years from the date of grant. 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. No options were granted during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

The options outstanding at 30 June 2010 had an exercise price of HKD 4.00 and a weighted average remaining contractual life of 9.33 years commencing on the date of grant. 21,875,000 and 21,875,000 options will become exercisable on 11 November 2010 and 11 November 2011 respectively.

## 16. Capital, reserves and dividends

### (a) *Dividends*

No dividend has been paid or declared by the Company during the six months ended 30 June 2010 (six months ended 30 June 2009: 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 (b) the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005.

The contributed surplus of the Group also includes the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under acquisition of Sound Winner Group and Full Medal Group during the year ended 31 December 2009.

### (c) *Capital reserve*

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

### (d) *General reserve fund*

The Group's wholly owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital.

The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

## 17. Commitments

- (a) Capital commitments outstanding at 30 June 2010 not provided for in the interim financial report were as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Contracted for		
– Production facilities	32,673	66,589
Authorised but not contracted for		
– Production facilities	–	6,393
	<u>32,673</u>	<u>72,982</u>

- (b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year	3,297	2,261
After 1 year but within 5 years	17,274	19,427
	<u>20,571</u>	<u>21,688</u>

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.

## 18. Material related party transactions

### (a) Transactions

		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000 (restated)
<b>Nature of transactions</b>			
Sales	(i)	79,415	56,640
Purchases	(ii)	47,480	27,543
Comprehensive service charges	(iii)	1,489	1,870
Processing service charges	(iv)	1,103	–

(i) Sales to related parties represent the sale of finished products to companies controlled by CIMC.

(ii) Purchases from related parties represent purchases of raw materials for production from companies controlled by CIMC.

(iii) Comprehensive service charges mainly represent services including staff messing, health services and general services provided to the Group by related parties.

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

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

	At 30 June 2010	At 31 December 2009
	RMB'000	RMB'000
Trade receivables for products sold	44,561	12,610
Trade payables for receipts in advance for sales and payables for purchases of raw materials	(43,583)	(47,342)

## 19. Comparative figures

As set out in note 1(b), the Company has applied merger accounting to account for the acquisitions of the subsidiaries, Sound Winner Group and Full Medal Group on 14 August 2009 under common control. In applying merger accounting, financial statement items of the combining entities for the reporting period in which the common control combination occurs are included in the consolidated interim financial statements of the Group as if the combination had occurred from the date when the combining entities first came under the control of the Group.

## Management Discussion and Analysis

The Board of Directors of CIMC Enric Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) is pleased to announce the interim financial report of the Group for the six months ended 30 June 2010 set out on pages 4 to 29 of this report. As a result of the acquisitions of certain companies from China International Marine Containers (Group) Co., Ltd. (“CIMC”) in 2009, the comparative figures for the same period of 2009 have been restated as if the current combined entity had been in existence throughout the six months ended 30 June 2009.

The interim financial report is unaudited but has been reviewed by the Company’s independent auditor, KPMG, and the Audit Committee.

### 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 among the energy, chemical and liquid food industries.

#### *Product portfolio*

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

#### Energy equipment

- Compressed natural gas (“**CNG**”) seamless pressure cylinders
- CNG trailers
- Liquefied natural gas (“**LNG**”) trailers and tanks
- CNG, LNG and liquefied compressed natural gas (“**LCNG**”) refueling station systems
- Liquefied petroleum gas (“**LPG**”) tank trucks 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

- Stainless steel tank containers for chemical liquids, liquefied gas and cryogenic liquids

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

### Liquid food equipment

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

These products and services are branded “Holvrieka”.

### *Operational performance*

#### Turnover

Following gradual economic recovery of countries around the globe, China’s import, export and industrial enterprises have resumed rapid growth; whilst the rebound of liquid food equipment segment lagged behind the economy recovery. As a result, turnover of the Group during the six months ended 30 June 2010 reported RMB1,632,199,000, representing an increase of 23.6% over the same period of 2009. The performance of each segment is discussed below:

Energy equipment is the top grossing segment of the Group, its turnover rose significantly by 51.7% to RMB992,908,000 (corresponding period in 2009: RMB654,480,000) and accounted for 60.8% (corresponding period in 2009: 49.6%) of the overall turnover.

Chemical equipment segment’s turnover increased by 36.0% to RMB432,011,000 (corresponding period in 2009: RMB317,575,000) and contributed 26.5% (corresponding period in 2009: 24.1%) of the overall turnover, making it the second top grossing segment of the Group during the period.

Turnover of liquid food equipment segment was RMB207,280,000 (corresponding period in 2009: RMB348,115,000), representing a fall of 40.5%, and made up 12.7% (corresponding period in 2009: 26.3%) of the overall turnover.



### Gross profit margin and profitability

The energy equipment segment's gross profit margin ("**GP margin**") fell slightly by 1.9 percentage points to 21.6% (corresponding period in 2009: 23.5%). The drop in the segment's GP margin was mainly caused by a decrease in the GP margin of CNG storage and transportation products within the segment. The CNG storage and transportation products are managed to lower its GP margin to further boost up the market share.

The GP margin for chemical equipment segment remained stable at 10.3% (same period of 2009: 10.5%).

In relation to the liquid food equipment segment, its GP margin saw an improvement from 20.3% in the same period of 2009 to 23.2% in the current year. This is mainly due to a fall in the cost of raw materials, good project management and effective cost control measures.

Because of the slightly declined GP margins of both energy equipment and chemical equipment segments, the Group's overall GP margin was dragged by 0.7 percentage point to 18.8% (corresponding period in 2009: 19.5%).

Profit from operations expressed as a percentage of turnover increased by 3.7 percentage points to 10.0% (corresponding period in 2009: 6.3%) which is attributable to two main reasons, namely the rebound in turnover and the effective control measures on human resources costs as well as the raw material procurement.

### *Research and development*

In the six months ended 30 June 2010, the Group devoted RMB26,246,000 (corresponding period in 2009: RMB16,818,000) to the research and development and enhancement of products and manufacturing technologies.

Compact-sized liquefied device for coal seam gas has been developed. It is used in the upstream for liquefaction of coal seam gas for transportation of it in liquefied state to the downstream.

Certain products which feature high-tech and low-carbon content are under development or testing phase, such as electronic CNG cylinders, larger-volume light-weight refueling station trailers and hydrogen refueling stations.

### *Production capacity*

In the first half of this year, the Group invested RMB90,472,000 in capital expenditure.

The investment mainly went to the enhancement of production lines and construction of a new plant of the energy equipment segment in Jingmen, the PRC. Production capacity of the Jingmen production base is expected to increase by twice by the end of this year.

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

### *Sales and marketing*

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

Energy and chemical products and services are delivered across the PRC and export to South-east Asia, Europe and North America. Liquid food products and services are mostly sold in Europe.

The Group is committed to build a wide and solid customer network, especially with industry heavy-weights and customers of great growth potentials. Within the Group's top 10 customers are big names, for example, PetroChina, Xinao Gas, EXSIF, TAL International, Sinochem International and Cronos.

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the period, the Group's revenue derived from overseas amounted to RMB644,535,000 (corresponding period in 2009: RMB665,690,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America.

The set-up of representative office in South-east Asia has boosted local sales and allowed direct access to customers in surrounding regions. The Group is planning to set up more representative offices in various Asian countries to facilitate sales and promotion.

Meanwhile, by providing referral arrangement for finance lease, the Group is able to solicit and retain more customers especially under this competing business environment.

### *Cost control*

During the period, the Group adhered to the cost control and management enhancement programs launched last year. Operational efficiency and quality have seen encouraging improvement with internal resources better allocated and shared among operating units.

Purchase of raw materials commonly used by different operating units of the Group has been centralised and made in bulk order. This effectively helps optimise inventory control and maximise cost efficiency.

### *Customer service*

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

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

The Group, in collaboration with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), has established five examination centres for CNG trailers and other high pressure cylinder trailers in Changzhou, Urumqi, Xi'an, Shenyang and Haikou, the PRC. Construction of another two in Wuhan and Shandong is under progress. These examination centres are authorised to provide safety examinations for high pressure cylinder trailers required for special-vehicle license renewal in accordance with relevant safety regulations.

### *Human resources*

At 30 June 2010, the total number of employees of the Group was approximately 5,270. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB205,081,000 (corresponding period in 2009: RMB161,332,000).

There have been no material changes in respect of employee incentive and bonus policies, share option scheme and training scheme as disclosed in Annual Report 2009.

## Financial Resources Review

### *Liquidity and financial resources*

At 30 June 2010, the Group recorded cash on hand of RMB711,441,000 (31 December 2009: RMB872,640,000) and bank loans and overdrafts of RMB126,294,000 (31 December 2009: RMB193,151,000). A portion of the Group's bank deposits totalling RMB85,807,000 (31 December 2009: RMB77,940,000), 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 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 2010, the Group's bank loans and overdrafts amounted to RMB126,294,000 and apart from the loans totalling RMB21,980,000 that bear interest at floating rates and repayable over one year, the remaining bank loans and overdrafts bear interest at rates from 1.9% to 5.3% per annum and repayable within one year. Bank overdrafts of RMB11,194,000 (31 December 2009: RMB6,145,000) that are secured by a pledge on buildings which had a carrying amount of RMB4,335,000 (31 December 2009: RMB5,751,000). Save as disclosed above, all bank loans of the Group were guaranteed by the Company's subsidiaries. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2009: zero times) as the Group retained a net cash balance of RMB585,147,000 (31 December 2009: RMB679,489,000). The Group's interest coverage was 38.3 times for the period (corresponding period in 2009: 3.9 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash generated from operating activities amounted to RMB21,265,000 (corresponding period in 2009: RMB239,983,000). The Group drew bank loans of RMB42,735,000 (corresponding period in 2009: RMB351,585,000) and repaid RMB107,584,000 (corresponding period in 2009: RMB243,892,000). 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 2010, total assets of the Group amounted to RMB4,444,084,000 (31 December 2009: RMB4,296,521,000) while total liabilities were RMB1,808,510,000 (31 December 2009: RMB1,721,029,000). The net asset value rose by 2.3% to RMB2,635,574,000 (31 December 2009: RMB2,575,492,000) which was attributed to the net profit of RMB118,894,000 for the period. As a result, the net asset value per share increased to RMB1.407 at 30 June 2010 from RMB1.375 at 31 December 2009.

### *Contingent liabilities*

At 30 June 2010, the Group did not have any significant contingent liabilities.

### *Capital commitments*

At 30 June 2010, the Group had contracted but not provided for capital commitments of RMB32,673,000 (31 December 2009: RMB66,589,000), and did not have any authorised but not contracted for capital commitments (31 December 2009: RMB6,393,000).

### *Foreign exchange exposure*

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

### *Future plans for material investments and expected source of funding*

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 30 June 2010, the Group had total capital commitments of RMB32,673,000.

## **Future Plans and Strategies**

The economic stimulus packages and loose monetary policies by Chinese and foreign governments have been managed to move the global economy to a gradual recovery from the financial crisis. This brought a double-digit growth in sales to the top two grossing segments of the Group – energy equipment and chemical equipment – in the first half of the year.

While the outlook of the industry sectors at which the Group positioned is broadly positive, some volatility is expected in the short run. The Group will strive to sustain growth by offering quality products and value-added integrated business solutions which grasp market pulse.




The energy equipment segment of the Group seems to be least impacted by the financial tsunami compared with the other two segments. To embrace the PRC government's promotion on clean energy and low-carbon, high efficiency and high-tech business, the Group's energy equipment arm will continue to focus on natural gas storage and transportation equipment, especially energy-saving and high-tech one. It is developing more light-weight products, for example, the light-weight composite cylinder for CNG which does not only consume fewer raw materials but also reduces fuel consumption of CNG transportation truck on which it is installed.

The smart container for cryogenic liquids (including LNG) which was first developed and debuted by the Group late last year has received positive market response during the period. The container is equipped with an intelligent control system which conducts real-time monitoring of the container's condition, e.g. internal pressure, liquid level and vacuum degree, and gives immediate precaution alarm if any condition falls below prescribed safety standard. The Group will launch more high-tech products in order to attract more high-end customers and uphold its leading position in the industry.

As local gas supply cannot fulfill enormous demand of natural gas, China has to import more LNG. Recent studies have shown that the country's demand on LNG will see a dramatic increase in coming 10 years. What is more, the country is investigating to promote the use of natural gas ships in major rivers, like the Yangtze River, to replace for diesel- and petrol-powered ships. It is also actively stepping up the construction of strategic gas reserves. LNG storage and transportation equipment of the Group, such as refueling stations, satellite stations, peak-shaving stations, and 10,000cbm storage tanks used in LNG terminals will benefit from the LNG boom. The Group is working to develop new LNG equipment, for example, storage tanks with volume between 10,000cbm and 50,000cbm and fuel tanks for natural gas ships.

Besides of China, Central Asia, South-east Asia and South America are promoting the application of natural gas widely. Hence, these countries have been long targeted by the Group as its major export markets.

Since last year's record-low performance, the chemical industry is moving upwards from the bottom again with the global economy. The Group will adopt flexible pricing strategy and introduce products of varied specifications which meet the specific needs of different geographical sales regions. As competition in general tank containers gets fiercer, marketing strategies will target at the niche of specialised tank containers.



The beer industry at which the Group's liquid food equipment segment primarily stands is overall rosy, especially in China. While Europeans and Americans consume the most beer per head annually, generating stable demand of beer in these countries, per capita beer consumption in China rose at a steady annualized rate of 6.5% in recent five years, surpassing the growth in any other country in the world. Local beer brewers are expanding their productivity to meet escalating market demand. At the same time, international beer brewers are pouring capital investment in China and actively penetrating throughout the Chinese market.

The Group's liquid food equipment arm will gradually swing its market concentration from European countries to Asia, in particular, China. With the reputation of "Holvrieka" brand in Europe and their well-established network with major breweries, the Group believes that its liquid food storage and transportation equipment of state-of-the-art European technology yet manufactured locally in China at a relatively lower cost will enjoy a competitive advantage at creating a business in China.

Strong research and development ("**R&D**") capacity is vital for continued success of the Group. The Group is looking for opportunity for strategic collaboration with top universities and acquisition of technology and research institutes. In its own end, it will hire more qualified expertise to strengthen its R&D team.

In addition to innovation of more new and high-tech products, a strong R&D capability will support the Group's expansion to the EPC (engineering, procurement and construction) market of energy, chemical and liquid food industries in later years.

In the first half of this year, the Group dedicated much effort in enhancing its internal operation and management since the acquisitions of several subsidiaries completed last year. In the remaining of the year, the Group keeps working to translate the synergy brought by the acquisitions in monetary terms and have it reflected in its year-end's financial statement, maximising shareholders' returns.

## Supplementary Information

### Directors' Interests in Shares

As at 30 June 2010, 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

Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares (Note 1)
Zhao Qingsheng ("Mr. Zhao")	Beneficial owner	Ordinary	214,000	0.02%
	Beneficiary of a trust (Note 2)	Ordinary (Note 3)	40,141,626	4.68%
	Beneficiary of a trust (Note 2)	Preference (Note 3)	138,414,166	13.63%
Jin Yongsheng	Beneficial owner	Ordinary	246,000	0.03%
Petrus Gerardus Maria van der Burg ("Mr. van der Burg")	Interest of controlled corporation	Ordinary	103,905,085 (Note 4)	12.12%

#### Notes:

- The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 30 June 2010, which were 857,452,201 and 1,015,641,321 respectively.



2. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group"), Shenzhen International Trust & Investment Co., Limited has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,770,000 units, of which 117,870,000 units have been allocated. Mr. Zhao, an Executive Director, is a participant in the Stock Credit Plan, with 3,000,000 allocated units. CIMC Vehicle Group holds 100% interests of CIMC Vehicle Investment Holdings Company Limited ("CIMC Vehicle"). Hence, Mr. Zhao is deemed to be interested in the relevant class of shares of the Company held by CIMC Vehicle as a beneficiary of a trust.
3. These ordinary shares and preference shares are held by CIMC Vehicle.
4. These 103,905,085 ordinary shares are held by P.G.M. Holding B.V. ("PGM"), which is controlled by Mr. van der Burg.

*Long positions in underlying shares of equity derivatives of the Company*

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

*Long positions in the shares of associated corporations*

Associated corporation	Name of Director	Capacity	Number of interests held	% of interests held
CIMC Vehicle Group	Mr. Zhao	Beneficiary of a trust	3,000,000	1.36% <i>(Note)</i>

*Note:* The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2010, which was 220,770,000.

Save as disclosed above, as at 30 June 2010, 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 2010, nor have any such rights been granted or exercised during the interim period.

## Substantial Shareholders' Interests in Shares

As at 30 June 2010, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

### Notes:

- The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 30 June 2010, which were 857,452,201 and 1,015,641,321 respectively.
- These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 254,405,490 ordinary shares held by CIMC HK and 40,141,626 ordinary shares held by CIMC Vehicle. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC, and CIMC Vehicle is controlled by CIMC as to 80%.
- These preference shares refer to the 877,227,155 preference shares held by CIMC HK and 138,414,166 held by CIMC Vehicle. CIMC HK is wholly owned by CIMC and CIMC Vehicle is controlled by CIMC as to 80%.
- The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is directly held by CIMC HK as to 100%.

Save as disclosed above, as at 30 June 2010, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### Share Options

The Company has adopted the Share Option Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group. Details of the terms thereof are set out in the Annual Report 2009.

As at the date of this report, a total of 43,750,000 ordinary shares of HK\$0.01 each in the capital of the Company were granted and accepted by the respective participants under the Scheme. During the six months ended 30 June 2010, movements of the options under the Scheme were as follows:

Grantee	Date of grant	Exercisable period (Note 1)	Number of share options			
			outstanding at 1 January 2010	granted during the period	exercised during the period	outstanding at 30 June 2010
<b>Directors</b>						
Mr. Zhao	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	1,000,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	1,000,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	800,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	800,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	500,000
Mr. van der Burg	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	1,000,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	500,000
Gao Zhengping	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	500,000
			6,100,000	–	–	6,100,000
<b>Employees</b>	11/11/2009	11/11/2010 – 10/11/2019	28,300,000	–	–	28,300,000
<b>Other participants</b>	11/11/2009	11/11/2010 – 10/11/2019	9,350,000	–	–	9,350,000
<b>Total</b>			43,750,000	–	–	43,750,000

*Notes:*

1. Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable upon the expiry of 12 months from 11 November 2009 (i.e. from 11 November 2010), and up to 10 November 2019; another 50% of the options granted to any grantee become exercisable upon the expiry of 24 months from 11 November 2009 (i.e. from 11 November 2011), and up to 10 November 2019.
2. The exercise price of all the options granted is HK\$4.00 per share.
3. The closing price per share immediately before the date of grant was HK\$3.80.

As at the date of this report, a total of 770,000 shares, representing 0.09% of the issued ordinary share capital of the Company are available for grant under the Scheme.

No options were lapsed or cancelled during the six months ended 30 June 2010.

### **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 2010.


### **Corporate Governance**

The Company complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

The latest corporate governance report of the Company is set out in the Annual Report 2009.

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

The Audit Committee comprises three Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2010.



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 Company's website.

### **Biographical Details of Directors and Senior Management**

The biographical details of Directors and senior management of the Company can be referred to the Annual Report 2009.

### **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. Gao Xiang (*General Manager*), Mr. Jin Jianlong and Mr. Yu Yuqun as Executive Directors; Mr. Jin Yongsheng and Mr. Petrus Gerardus Maria van der Burg as Non-executive Directors; and Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Tsui Kei Pang as Independent Non-executive Directors.

By order of the Board

**Zhao Qingsheng**

*Chairman*

Hong Kong, 20 August 2010

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