CIMC ENRIC

CIMC Enric Holdings Limited
中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：3899

Interim Report 2013 中期報告

Contents

Financial Highlights

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000	+/–
FINANCIAL POSITION			
Total assets	**8,324,931**	7,727,182	+7.7%
Net assets	**4,453,423**	4,077,839	+9.2%
Net current assets	**2,513,525**	2,209,031	+13.8%
Cash balances	**720,415**	1,010,385	-28.7%
Bank loans and overdrafts	**314,017**	400,241	-21.5%
Gearing ratio[1]	**7.1%**	9.8%	-2.7 ppt

	For six months ended 30 June		
	2013 RMB'000	2012 RMB'000	+/–
OPERATING RESULTS			
Turnover	**4,828,921**	3,829,173	+26.1%
Gross profit	**976,208**	728,962	+33.9%
EBITDA	**680,354**	528,496	+28.7%
Profits from operations	**589,774**	464,426	+27.0%
Profit attributable to equity shareholders	**467,071**	372,557	+25.4%
PER SHARE DATA			
Earnings per share – basic	**RMB0.248**	RMB0.199	+24.6%
Earnings per share – diluted	**RMB0.243**	RMB0.197	+23.4%
Net asset value per share	**RMB2.362**	RMB1.943	+21.6%
KEY STATISTICS			
GP ratio	**20.2%**	19.0%	+1.2 ppt
EBITDA margin	**14.1%**	13.8%	+0.3 ppt
Operating profit margin	**12.2%**	12.1%	+0.1 ppt
Net profit margin[2]	**9.7%**	9.7%	+0.0 ppt
Return on equity[3] – half year	**11.0%**	10.7%	+0.3 ppt
Interest coverage – times	**64.4**	68.8	-4.4
Inventory turnover days	**102**	123	-21
Debtor turnover days	**76**	65	+11
Creditor turnover days	**71**	74	-3

Notes:

1 Gearing ratio = Bank loans and overdrafts/Total equity

2 Net profit margin = Profit attributable to equity shareholders/Turnover

3 Return on equity = Profit attributable to equity shareholders/Average shareholders' equity

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CIMC ENRIC HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 27 which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2013

Consolidated Income Statement

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Turnover	*7*	**4,828,921**	3,829,173
Cost of sales		**(3,852,713)**	(3,100,211)
Gross profit		**976,208**	728,962
Change in fair value of derivative financial instruments		**1,343**	(2,658)
Other revenue, net	*8*	**83,322**	66,882
Other (expenses)/income, net	*8*	**(141)**	5,457
Selling expenses		**(142,424)**	(99,356)
Administrative expenses		**(328,534)**	(234,861)
Profit from operations		**589,774**	464,426
Finance costs	*9*	**(11,147)**	(7,287)
Profit before taxation	*9*	**578,627**	457,139
Income tax expenses	*10*	**(107,476)**	(80,955)
Profit for the period		**471,151**	376,184
Attributable to:			
Equity shareholders of the Company		**467,071**	372,557
Non-controlling interests		**4,080**	3,627
Profit for the period		**471,151**	376,184
Earnings per share	*11*		
Basic		**RMB0.248**	RMB0.199
Diluted		**RMB0.243**	RMB0.197

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**471,151**	376,184
Other comprehensive income for the period		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(14,345)**	10,377
Total comprehensive income for the period	**456,806**	386,561
Attributable to:		
Equity shareholders of the Company	**452,726**	382,934
Non-controlling interests	**4,080**	3,627
Total comprehensive income for the period	**456,806**	386,561

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

Consolidated Balance Sheet

As at 30 June 2013

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*12*	**1,573,578**	1,575,115
Construction in progress		**216,963**	187,586
Lease prepayments		**324,244**	328,273
Intangible assets		**123,266**	133,976
Prepayments		**28,650**	–
Goodwill		**129,341**	129,341
Deferred tax assets		**50,898**	48,589
Other financial assets		**59**	59
		2,446,999	2,402,939
Current assets			
Derivative financial instruments		**1,358**	15
Inventories	*13*	**2,364,468**	1,974,295
Trade and bill receivables	*14*	**2,214,114**	1,841,547
Deposits, other receivables and prepayments		**487,761**	460,970
Amounts due from related parties	*21(b)*	**89,816**	37,031
Cash at bank and in hand	*15*	**720,415**	1,010,385
		5,877,932	5,324,243
Current liabilities			
Bank loans and overdrafts	*16*	**193,534**	263,160
Trade and bill payables	*17*	**1,673,065**	1,351,418
Other payables and accrued expenses		**1,301,924**	1,329,817
Income tax payable		**58,016**	75,173
Amounts due to related parties	*21(b)*	**86,829**	75,395
Provisions		**50,982**	20,181
Employee benefit liabilities		**57**	68
		3,364,407	3,115,212
Net current assets		**2,513,525**	2,209,031
Total assets less current liabilities		**4,960,524**	4,611,970

	Note	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
Non-current liabilities			
Provisions		**26,502**	50,057
Deferred income		**252,291**	243,988
Employee benefit liabilities		**1,538**	1,677
Deferred tax liabilities		**106,287**	101,328
Bank loans	*16*	**120,483**	137,081
		507,101	534,131
NET ASSETS		**4,453,423**	4,077,839
CAPITAL AND RESERVES			
Share capital		**17,332**	17,282
Reserves	*19*	**4,406,085**	4,034,631
Equity attributable to equity shareholders of the Company		**4,423,417**	4,051,913
Non-controlling interests		**30,006**	25,926
TOTAL EQUITY		**4,453,423**	4,077,839

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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Unaudited									
	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000 *(Note 19(b))*	Capital reserve RMB'000 *(Note 19(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 19(d))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	17,235	287,517	877,152	60,198	(235,084)	157,149	2,246,360	3,410,527	20,213	3,430,740
Change in equity for the six months ended 30 June 2012:										
Total comprehensive income for the period	–	–	–	–	10,377	–	372,557	382,934	3,627	386,561
Transactions with equity shareholders in their capacity as equity shareholders:										
Equity-settled share-based transactions	–	–	–	5,658	–	–	–	5,658	–	5,658
Transfer to general reserve	–	–	–	–	–	40,011	(40,011)	–	–	–
2011 final dividend paid	–	(116,881)	–	–	–	–	–	(116,881)	–	(116,881)
Distribution to previous shareholders of Nantong Transport under common control combination	–	–	(66,330)	–	–	–	–	(66,330)	–	(66,330)
At 30 June 2012	17,235	170,636	810,822	65,856	(224,707)	197,160	2,578,906	3,615,908	23,840	3,639,748
At 1 January 2013	**17,282**	**197,080**	**810,822**	**62,906**	**(200,381)**	**236,672**	**2,927,532**	**4,051,913**	**25,926**	**4,077,839**
Change in equity for the six months ended 30 June 2013:										
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(14,345)**	**-**	**467,071**	**452,726**	**4,080**	**456,806**
Transactions with equity shareholders in their capacity as equity shareholders:										
Issuance of shares in connection with exercise of shares options	**50**	**28,352**	**-**	**(8,170)**	**-**	**-**	**-**	**20,232**	**-**	**20,232**
Equity-settled share-based transactions	**-**	**-**	**-**	**4,539**	**-**	**-**	**-**	**4,539**	**-**	**4,539**
Transfer to general reserve	**-**	**-**	**-**	**-**	**-**	**44,842**	**(44,842)**	**-**	**-**	**-**
2012 final dividend paid	**-**	**(105,993)**	**-**	**-**	**-**	**-**	**-**	**(105,993)**	**-**	**(105,993)**
At 30 June 2013	**17,332**	**119,439**	**810,822**	**59,275**	**(214,726)**	**281,514**	**3,349,761**	**4,423,417**	**30,006**	**4,453,423**

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cash generated from operations		**119,053**	128,916
Tax paid		**(120,129)**	(74,521)
Net cash (used in)/generated from operating activities		**(1,076)**	54,395
Net cash used in investing activities		**(138,381)**	(245,386)
Net cash (used in)/generated from financing activities		**(167,406)**	747
Net decrease in cash and cash equivalents		**(306,863)**	(190,244)
Cash and cash equivalents at 1 January	*15*	**953,308**	992,130
Effect of foreign exchange rate changes		**(12,962)**	19,087
Cash and cash equivalents at 30 June	*15*	**633,483**	820,973

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

Notes to the Unaudited Interim Financial Statements

1. General information

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

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

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

This consolidated interim financial information was approved for issue on 20 August 2013.

This consolidated interim financial information has not been audited.

2. Basis of preparation

(a) Statement of compliance

This interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(b) Common control combination of Nantong Transport

On 17 February 2012, Nantong CIMC Tank Equipment Co., Ltd. ("Nantong Tank"), a wholly-owned subsidiary of the Company, acquired from CIMC Vehicle (Group) Co., Ltd. and CIMC Tank Equipment Investment Holdings Company Limited 75% and 25%, respectively, of the issued share capital of Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") for an aggregate consideration of RMB66,330,000.

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

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

3. Accounting policies

(a) The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012 as described in those annual financial statements.

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

(c) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2013 and have not been early adopted:

	Effective for accounting periods beginning on or after
HKAS 32 (Amendment), Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (revised 2011), Investment entities	1 January 2014
HK(IFRIC) – Int 21, Levies	1 January 2014
HKFRS 9, Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments), Mandatory effective date and transition disclosures	1 January 2015

The directors of the Company anticipate that the adoption of the above new and revised standards, and amendments to standards may result in new or amended presentation and disclosures on the interim financial statements but will have no significant impact on the Group's results and financial position. The directors of the Company will adopt the new and revised standards, and amendments to standards when they become effective.

4. Estimates

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

In preparing these interim financial statements, 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 2012.

5. Financial risk management

(a) *Financial risk factors*

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2012.

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

(b) *Liquidity risk*

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

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	At 30 June 2013 Contractual undiscounted cash flow				At 31 December 2012 Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	**1 to 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans and overdrafts	**199,864**	**123,625**	**323,489**	**314,017**	276,766	141,270	418,036	400,241
Bill payables, creditors and accrued expenses	**2,974,989**	**-**	**2,974,989**	**2,974,989**	2,681,235	–	2,681,235	2,681,235
Amounts due to related parties	**87,909**	**-**	**87,909**	**86,829**	76,524	–	76,524	75,395
	3,262,762	**123,625**	**3,386,387**	**3,375,835**	3,034,525	141,270	3,175,795	3,156,871

(c) *Fair value estimation*

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2013 and 31 December 2012, the Group's financial assets measured at fair value were derivative financial instruments arising from forward exchange contracts and classified as level 2.

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

The fair value of the financial assets and liabilities carried at amortised cost approximated their carrying amounts as of 30 June 2013 and 31 December 2012.

6. Segment reporting

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. The operating segments with similar economic characteristics have been aggregated to form the following reportable segments.

- Energy equipment: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors.

- Chemical equipment: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.

- Liquid food equipment: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk.

(a) Segment results, assets and liabilities

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

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

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

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

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

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

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Revenue from external customers	**2,521,843**	1,999,792	**1,507,202**	1,430,445	**799,876**	398,936	**4,828,921**	3,829,173
Inter-segment revenue	**8,493**	178	**45,649**	–	**–**	–	**54,142**	178
Reportable segment revenue	**2,530,336**	1,999,970	**1,552,851**	1,430,445	**799,876**	398,936	**4,883,063**	3,829,351
Reportable segment profit (adjusted profit from operations)	**332,882**	276,711	**232,928**	201,524	**58,865**	18,334	**624,675**	496,569

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Reportable segment assets	**5,333,535**	4,769,012	**1,932,018**	1,773,157	**965,165**	1,017,975	**8,230,718**	7,560,144
Reportable segment liabilities	**2,489,127**	2,315,456	**647,085**	612,691	**359,597**	342,251	**3,495,809**	3,270,398

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Revenue		
Reportable segment revenue	**4,883,063**	3,829,351
Elimination of inter-segment revenue	**(54,142)**	(178)
Consolidated turnover	**4,828,921**	3,829,173

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Profit		
Reportable segment profit	**624,675**	496,569
Elimination of inter-segment profits	**(9,135)**	(3,780)
Reportable segment profit derived from the Group's external customers	**615,540**	492,789
Finance costs	**(11,147)**	(7,287)
Unallocated operating income and expenses	**(25,766)**	(28,363)
Consolidated profit before taxation	**578,627**	457,139

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Assets		
Reportable segment assets	**8,230,718**	7,560,144
Elimination of inter-segment receivables	**(81,790)**	(90,753)
	8,148,928	7,469,391
Deferred tax assets	**50,898**	48,589
Unallocated assets	**125,105**	209,202
Consolidated total assets	**8,324,931**	7,727,182

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Liabilities		
Reportable segment liabilities	**3,495,809**	3,270,398
Elimination of inter-segment payables	**(81,790)**	(90,753)
	3,414,019	3,179,645
Income tax payable	**58,016**	75,173
Deferred tax liabilities	**106,287**	101,328
Unallocated liabilities	**293,186**	293,197
Consolidated total liabilities	**3,871,508**	3,649,343

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

7. Turnover

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of goods	**3,815,192**	3,185,876
Revenue from project engineering contracts	**1,013,729**	643,297
	4,828,921	3,829,173

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

(a) Other revenue, net

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Government grants	*(i)*	**25,077**	7,434
Other operating revenue, net	*(ii)*	**50,933**	49,590
Interest income from bank deposits		**7,312**	9,858
		83,322	66,882

(i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government.

(ii) Other operating revenue, net consists mainly of net income earned from subcontracting service and sale of scrap materials.

(b) Other (expenses)/income, net

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net gain on disposal of property, plant and equipment	**125**	4
Charitable donations	**(15)**	(177)
Other net income	**4,196**	1,342
Foreign exchange (loss)/gain	**(4,447)**	4,288
	(141)	5,457

9. Profit before taxation

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

(i) Finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**9,123**	6,743
Bank charges	**2,024**	544
	11,147	7,287

(ii) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**77,965**	53,248
Amortisation of intangible assets	**10,611**	7,805
Amortisation of lease prepayments	**4,030**	3,561
Impairment provision for trade receivables	**7,313**	10,060
Reversal of impairment provision of trade receivables	**(1,751)**	(4,505)
Reversal of impairment provision of other receivables	**(160)**	–
Write-down of inventories	**–**	10
Reversal of write-down of inventories	**(1,356)**	(845)
Research and development expenses	**63,710**	48,438
Operating lease charges for property rental	**5,529**	2,091
Provision for product warranties	**21,564**	18,100
Equity-settled share-based payment expenses	**4,539**	5,657
Transaction cost in relation to acquisition of a subsidiary	**–**	49

10. Income tax expenses

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current income tax	**102,890**	79,722
Deferred income tax	**4,586**	1,233
	107,476	80,955

No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the period. 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 (the "Tax Law"), the Company's subsidiaries in the People's Republic of China ("PRC") are subject to statutory income tax rate of 25%.

Pursuant to the relevant laws and regulations in the PRC, the Company's certain subsidiaries in the PRC are entitled to a preferential tax treatment applicable to advanced and new technology enterprises and are subject to income tax rate of 15%.

Pursuant to the Tax Law and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 30 June 2013, deferred tax liability recognised in this regard was RMB36,543,000 (31 December 2012: RMB27,965,000).

Taxation of Dutch, Belgian, Danish and German subsidiaries are charged at the current rates of 25%, 33.99%, 25% and 30% respectively ruling in the relevant countries and are calculated on a stand-alone basis.

11. Earnings per share

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**467,071**	372,557

	Six months ended 30 June	
	2013	2012
Number of shares		
Weighted average number of ordinary shares	**1,537,235,511**	898,520,140
Weighted average number of non-redeemable convertible preference shares	**344,585,635**	974,573,382
Weighted average number of shares for the purpose of basic earnings per share	**1,881,821,146**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme *(note 18)*	**42,938,088**	13,960,833
Weighted average number of shares for the purpose of diluted earnings per share	**1,924,759,234**	1,887,054,355

12. Property, plant and equipment

During the six months ended 30 June 2013, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB85,513,000 (six months ended 30 June 2012: RMB110,613,000). Items of property, plant and equipment with net book value totalling RMB134,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB7,000), resulting in a gain on disposal of RMB125,000 (six months ended 30 June 2012: RMB4,000).

13. Inventories

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Raw materials	**908,733**	724,437
Consignment materials	**109,978**	54,439
Work in progress	**813,833**	666,997
Finished goods	**531,924**	528,422
	2,364,468	1,974,295

14. Trade and bill receivables

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current	**1,644,001**	1,484,583
Less than 1 month past due	**118,715**	82,773
1 to 3 months past due	**47,313**	53,889
More than 3 months but less than 12 months past due	**313,274**	142,376
More than 12 months past due	**90,811**	77,926
Amounts past due	**570,113**	356,964
	2,214,114	1,841,547

Trade and bill receivables (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis.

15. Cash at bank and in hand

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash in hand and demand deposits	**632,604**	945,475
Restricted bank deposits within three months of original maturity	**879**	8,017
Bank overdrafts	**–**	(184)
Cash and cash equivalents	**633,483**	953,308
Restricted bank deposits with original maturity of more than three months	**86,932**	56,893
Add back bank overdrafts	**–**	184
	720,415	1,010,385

16. Bank loans and overdrafts

At 30 June 2013, the bank loans and overdrafts were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year or on demand	**193,534**	263,160
After 1 year but within 2 years	**119,483**	137,081
After 2 years but within 5 years	**1,000**	–
	120,483	137,081
	314,017	400,241

All the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 2.34% to 6.15% for the six months ended 30 June 2013 (six months ended 30 June 2012: 2.36% to 6.89%).

17. Trade and bill payables

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade creditors	**1,532,645**	1,153,218
Bill payables	**140,420**	198,200
	1,673,065	1,351,418

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 3 months	**1,559,388**	1,268,128
3 months to 12 months	**97,027**	63,256
Over 12 months	**16,650**	20,034
	1,673,065	1,351,418

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

18. Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 12 July 2006 whereby the directors of the Company are authorised, at their discretion, to invite eligible persons to take up options at a consideration of HKD1.00 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2013 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 6.37 years. 28,338,000 options had become exercisable on 11 November 2011.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2013 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 8.33 years. 40%, 30% and 30% of 35,850,000 options will become exercisable on 28 October 2013, 2014 and 2015, respectively.

No option was granted during the six months ended 30 June 2013.

19. Capital, reserves and dividends

(a) *Dividends*

Final dividend of RMB105,993,000 in relation to the year ended 31 December 2012 was paid in June 2013 (2012: RMB116,881,000).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (2012: 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 nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the acquisition of certain subsidiaries during the year ended 31 December 2009.

The contributed surplus of the Group also includes the difference between (a) the registered capital of Nantong Transport acquired of RMB69.9 million; and (b) the aggregate consideration paid by the Company of RMB66.3 million for the acquisition of Nantong Transport during the year ended 31 December 2012 which was business combination under common control.

(c) *Capital reserve*

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

(d) *General reserve fund*

The Group's wholly owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital. The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

20. Commitments

(a) Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report were as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Contracted for		
– Production facilities	**49,254**	90,611
– Equity investment	**2,000**	–
	51,254	90,611

(b) At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**6,639**	7,275
After 1 year but within 5 years	**15,243**	19,242
After 5 years	**5,969**	7,120
	27,851	33,637

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.

21. Related party transactions

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

		Six months ended 30 June	
	Note	**2013 RMB'000**	2012 RMB'000
Nature of transactions			
Sales	*(i)*	**217,847**	160,361
Purchases	*(ii)*	**79,725**	81,298
Management charges	*(iii)*	**–**	1,997
Comprehensive charges	*(iv)*	**667**	1,097
Processing charges	*(v)*	**11,673**	6,880
Processing income	*(vi)*	**2,257**	20,332
Technology licence income	*(vii)*	**1,408**	2,018
Office services income	*(viii)*	**2,854**	285
Loans received from a related party	*(ix)*	**50,000**	–
Loan interest expenses	*(ix)*	**740**	–

(i) Sales to related parties mainly represent sale of products to related parties.

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

(iii) Management charges mainly represent management services provided to the Group by related parties.

(iv) Comprehensive charges mainly represent services including staff messing, medical expenses and general services provided to the Group by related parties.

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

(vi) Processing income mainly represent processing services of welding, heat treatment and testing provided to related parties by the Group.

(vii) Technology licence income mainly represents granting of a non-exclusive licence to related parties to use the know-how and trademarks of the Group in design, manufacturing and sale of tank and related parts.

(viii) Office services income mainly represents provision of office services including staff catering, transportation services, site leasing and general office services to related parties.

(ix) The loans are unsecured, interest-bearing in a range from 5.40% to 6.00% per annum and are repayable within one year. During the period, loans of RMB40,000,000 had been repaid.

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables for products and services	**89,816**	37,031
Trade payables for raw material purchased and receipts in advance for sales	**(56,829)**	(55,362)
Loans from a related party	**(30,000)**	(20,033)

(c) Immediate and ultimate controlling party

As at 30 June 2013, the Directors consider the parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2013, the Directors consider the ultimate controlling party of the Company to be China International Marine Containers (Group) Co., Ltd., which is incorporated in the People's Republic of China. This entity produces financial statements available for public use.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Product portfolio

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

Energy equipment

- Compressed natural gas ("**CNG**") seamless pressure cylinders
- CNG trailers
- Liquefied natural gas ("**LNG**") trailers and tanks
- Natural gas refueling station systems
- Liquefied petroleum gas ("**LPG**") trailers and tanks
- Natural gas compressors
- Project engineering services, e.g. LNG application projects

Energy equipment is mainly sold under the brand names of "Enric", "Sanctum" and "Hongtu".

Chemical equipment

- Tank containers for chemical liquids, liquefied gas and cryogenic liquids

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

Liquid food equipment

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

These products and services are branded under the name "Holvrieka" and "Ziemann".

Operational performance

Turnover

Due to the continuous growth in global demand for equipment for the storage and transportation of natural gas and specialty gases, particularly in China, the energy equipment segment continued its robust growth in the first half of 2013. With gradual recovery of the global economy, demand for the dominant product of the chemical equipment segment i.e. tank containers, has also improved which in turn caused the segment to record a growth. The business environment of liquid food equipment industry has improved and coupled with the acquisition of certain assets from Ziemann Group which broadened the Group's product line-up, the segment posted a surge in turnover. As a result, the turnover for the first half of 2013 increased by 26.1% to RMB4,828,921,000 over the same period of previous year (corresponding period in 2012: RMB3,829,173,000). The performance of each segment is discussed below:

During the six months ended 30 June 2013, the energy equipment segment remained the top grossing segment of the Group with revenue rose by 26.1% to RMB2,521,843,000 (corresponding period in 2012: RMB1,999,792,000) and accounted for 52.2% (corresponding period in 2012: 52.2%) of the Group's total turnover. LNG products are the main revenue contributors of this segment.

The chemical equipment segment recorded a growth of 5.4% at RMB1,507,202,000 (corresponding period in 2012: RMB1,430,445,000) with a gradual global economic recovery. The segment made up 31.2% of the Group's total turnover (corresponding period in 2012: 37.4%).

Despite only accounting for 16.6% of the Group's total turnover (corresponding period in 2012: 10.4%), the liquid food equipment segment has outshone the other two segments by posting a growth of 100.5% to RMB799,876,000 during the period (corresponding period in 2012: RMB398,936,000). As a result of emerging market exploration and the contribution from Ziemann International GmbH, the liquid food equipment segment reported a surge in turnover.

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell slightly by 0.8 percentage points to 21.0% (corresponding period in 2012: 21.8%). A change in the product mix with LNG products overtaking CNG products as the largest sales contributor during the period caused the segment's GP margin to change slightly.

In relation to the chemical equipment segment, its GP margin saw a further improvement from 17.5% in the same period last year to 18.8% during the period. This is mainly attributable to the falling price of stainless steel, the key raw materials, during the period.

The GP margin for liquid food equipment segment rebounded from 10.7% to 20.5% during the period. Last year, the Group established Ziemann International GmbH for the acquisition of certain assets from Ziemann Group which boosted the segment's GP margin in two ways. Firstly, the acquisition lifted the GP margin as the Group has diversified into full range brewery equipment and turnkey projects for breweries which command higher GP margin. Secondly, the acquisition in certain extent reduces competition in the liquid food equipment market as Ziemann Group used to be one of the Group's competitors in this segment.

Due to the different contribution by respective segments on the overall GP margin, the improved GP margins of both chemical and liquid food equipment segments lifted the Group's overall GP margin slightly by 1.2 percentage points to 20.2% (corresponding period in 2012: 19.0%).

Profit from operations expressed as a percentage of turnover increased by 0.1 percentage point to 12.2% (corresponding period in 2012: 12.1%) which is mainly attributable to an improved GP margin despite both selling and administrative expenses rose faster than the growth in turnover.

Research and development

In the six months ended 30 June 2013, several research and development ("R&D") projects and manufacturing technology enhancement projects were undertaken at the same time. The Group devoted RMB63,710,000 (corresponding period in 2012: RMB48,438,000) to the R&D of new products and manufacturing technologies.

Following the acquisition of Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI"), the Group's R&D team has been working closely with YPDI on the overall planning and coordination of R&D on turnkey engineering projects as well as product design.

Moreover, following the acquisition of certain assets from Ziemann Group, the Group has benefited from broader resources and advanced technologies on the R&D of comprehensive turnkey solutions for processing and distribution of liquid food.

The Group also pays much effort to optimise product design. To save transportation costs and enhance its profitability, the Group has focused on developing lightweight products with advanced technology. Progress has also been made on developing key components in-house rather than procuring them externally, which in turn shortens production cycle and ensures product quality.

Regarding product development, the energy equipment segment conducted R&D projects for LNG refueling station systems, LNG ship tanks and composite cylinder for hydrogen storage. The chemical equipment arm focused on the development of special tank containers and lightweight tank containers. Besides, through close strategic cooperation between the Group's R&D team and external professionals from a research institute and a steel manufacturer in the PRC, the Group targets to develop its own high-strength steel for transportable pressure vessels.

Apart from in-house R&D efforts, in order to strengthen the Group's prime position in the market and promote a sustainable development of the industries it engaged in, the Group has participated in the establishment of several national and/or industrial standards for products such as natural gas trailers, tank containers for liquefied gas, tank containers for hazardous liquids and cryogenic liquids.

The Group also possesses certain patented technologies in different countries to protect its invention and know-how. At 30 June 2013, the Group held exclusive rights to a portfolio of over 310 patents, of which 47 patents are newly obtained during the period.

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

Production capacity

In the first half of 2013, the Group invested RMB146,474,000 in capital expenditure. On top of the investments for regular maintenance and production technology improvements amounted to RMB71,144,000, the amount of RMB75,330,000 were attributable to enhancement of production capacity.

Based on National Development and Reform Commission ("NDRC") latest policy on gas utilisation, the bullish outlook of LNG equipment was further confirmed. City-gas distribution and natural gas vehicle ("NGV") refueling continue to be favoured with priority usage of natural gas resources. Over the past two years, the Group has already undergone a series of expansion activities on production capacity to capture and secure the growing demand for CNG/LNG storage equipment resulting from the acceleration of natural gas distribution and usage. On top of the existing product portfolio, a range of new products, such as modular liquefaction equipment, small LNG storage tanks (anjietong) and advance models of CNG/LNG trailers, have been released to the market and contributed revenue during the period.

In the first half of 2013, the Group commenced another wave of production capacity enhancement on natural gas refueling station and LNG fuel tank to fulfill the needs and demands triggered by the NGV boom in the PRC. The Group has invested to double up the production capacity of LNG fuel tank in both Zhangjiagang and Shijiazhuang, and to provide additional capacity for natural gas refueling station production in Langfang.

Sales and marketing

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

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

The Group is committed to build a broad and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group's broad customer base includes big names such as PetroChina, Sinopec, CNOOC, China Resources Gas, ENN Energy, China Railway Group, Cronos, EXSIF, TAL International, Sinochem International and Stolt-Nielsen.

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the period, the Group's revenue derived from overseas amounted to RMB2,155,712,000 (corresponding period in 2012: RMB1,790,088,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America. The Group has organised visits to several emerging markets recently, so as to gather local market information and meantime promote its products and services.

Since the set-up of a representative office in South-east Asia has boosted local sales and allows direct access to customers in surrounding regions, the Group will look for opportunities 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 competitive business environment and the tight monetary conditions in China.

The Group will also adopt some proactive sales and marketing approaches to enlarge its market share, for example, building of market information database, collaborative sales mechanism and major customer management programme.

Cost control

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

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

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

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

Customer service

The Group values long-standing relationship with customers. Customer service centres have been established in various cities in the PRC and timely delivery of after-sales services and technical support are pledged.

Company visits are arranged regularly for local and overseas customers who are interested in gaining a better understanding of the daily operation and production processes of the Group. Moreover, the Group organises regular conferences where customers are encouraged to share their opinion on the Group's products and services.

The Group, in collaboration with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), has established five examination centres for CNG trailers and high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Xinjiang and Yangzhou, the PRC. Construction of an additional examination centre in Guangzhou is scheduled to start in the second half of 2013. 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 2013, the total number of employees of the Group was approximately 9,500 (corresponding period in 2012: approximately 8,080). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB547,699,000 (corresponding period in 2012: RMB425,452,000).

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 2012.

Financial Resources Review

Liquidity and financial resources

At 30 June 2013, the Group recorded cash on hand of RMB720,415,000 (31 December 2012: RMB1,010,385,000) and bank loans and overdrafts of RMB314,017,000 (31 December 2012: RMB400,241,000). A portion of the Group's bank deposits totalling RMB86,932,000 (31 December 2012: RMB56,893,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit, bills payable and bank loans. 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 2013, the Group's bank loans and overdrafts amounted to RMB314,017,000 (31 December 2012: RMB400,241,000), other than the HKD240,000,000 (equivalent to RMB191,172,000) three-year term loan and the RMB1,000,000 three-year term loans for capital expenditure, the remaining is repayable within one year. Apart from the three-year term loan dominated in HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.34% to 6.15% per annum. At 30 June 2013, the Group did not have any bank loan secured by assets in pledge (31 December 2012: Nil). As of 30 June 2013, bank loans amounting to RMB314,017,000 (31 December 2012: RMB400,057,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2012: zero times) as the Group retained a net cash balance of RMB406,398,000 (31 December 2012: RMB610,144,000). The decrease in net cash balance is arising from the increment of inventory, which is mainly to fulfill the higher working capital requirement for expanding trade volume. The Group's interest coverage was 64.4 times for the period (corresponding period in 2012: 68.8 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash used in operating activities amounted to RMB1,076,000; whilst RMB54,395,000 generated from operating activities for the same period last year. The Group drew bank loans of RMB234,207,000 (corresponding period in 2012: RMB658,038,000) and repaid RMB316,696,000 (corresponding period in 2012: RMB533,667,000). A payment of final dividend in respect of the financial year 2012 were approximately RMB105,993,000. In addition, cash proceeds amounted to RMB20,232,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 30 June 2013, total assets of the Group amounted to RMB8,324,931,000 (31 December 2012: RMB7,727,182,000) while total liabilities were RMB3,871,508,000 (31 December 2012: RMB3,649,343,000). The net asset value rose by 9.2% to RMB4,453,423,000 (31 December 2012: RMB4,077,839,000) which was mainly attributable to the net profit of RMB471,151,000, but offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB14,345,000 and dividend payment of RMB105,993,000 for the period. As a result, the net asset value per share increased to RMB2.362 at 30 June 2013 from RMB2.170 at 31 December 2012.

Contingent liabilities

At 30 June 2013, the Group did not have any significant contingent liabilities.

Capital commitments

At 30 June 2013, the Group had contracted but not provided for capital commitments of RMB51,254,000 (31 December 2012: RMB90,611,000). As of 30 June 2013, the Group did not have authorised but not contracted for capital commitments (31 December 2012: Nil).

Foreign exchange exposure

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

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. Concurrently, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 30 June 2013, the Group had total capital commitments of RMB51,254,000.

Future Plan and Strategies

During the period, the world economy has been undergoing a gradual recovery, yet the recovery will continue to face uncertainties. Even though China's GDP growth for the first half 2013 was 7.6%, economists expect economic recovery in the rest of 2013 is subject to certain upside and downside risks such as the sensitivity to the US fiscal policy. Recently, the State Council of China announced a series of new measures to support the growth of environmental and energy conservation sectors. The Chinese government is confident in achieving its growth and inflation targets for 2013 with modest monetary policy easing and expansionary fiscal policy.

The Group remains prudently optimistic about the outlook of the sectors it is engaged in. The Group strives to become a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries.

The Group will continue to expand its core business and strengthen its core competitiveness to further consolidate its leading market position in equipment manufacturing. In addition, the Group has been proactively seeking new revenue sources to attain long-term and healthy growth. The Group expects its business portfolio and leading market position will be reinforced through the organic and acquisition development in 2013.

In the first half of 2013, China has consumed 81.5 billion cubic metres ("bcm") of natural gas, representing a 13.1% increment. China has also reported a surge of 24.6% in natural gas import to approximately 24.7 bcm over the same period last year. According to the International Energy Agency forecasts, between 2012 and 2035 China will spend about USD240 billion on gas infrastructure relating to transmission and distribution and the LNG supply chain. Furthermore, due to the concern for air pollution, cost saving and the promotion of natural gas as vehicle fuel by China's oil and gas enterprises, the demand for natural gas application equipment, such as LNG fuel tanks are stimulated definitely. The Group is also well prepared for the potential huge demand for LNG equipment for LNG vessels. Probably, the development of LNG vessels in China may provide the next growth driver for LNG equipment manufacturers like CIMC Enric. Embracing the Chinese government's plan to boost natural gas consumption with significant investment being poured into the natural gas industry, the Group's new plants in Shijiazhuang and Langfang of Hebei province and Bengbu of Anhui province have come into operation gradually from the third quarter of 2012 which enhanced its production capacity and competitiveness. The Group will further enhance its production capacity mindfully for coping with the industry's future development.

Developing its own ability to offer turnkey engineering services is one of the Group's important strategies. With over 10 years' experience and the advanced qualifications in design and project engineering possessed by YPDI, the Group will step up its effort in exploring more turnkey projects and largely focus on the development of cryogenic tanks, refueling station projects, small and medium scale liquefaction, petrochemical gas storage, gas processing projects, chemical spherical tanks and special vessels for nuclear energy.

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

The outlook of the global liquid food industry is still positive, especially in developing countries like China. With the anticipation of a steady growth of the industry, the Group's liquid food equipment arm will continue to implement extension strategies to broaden its customer base. The Group will make use of the resources of Ziemann International GmbH in terms of brand name, market network, manufacturing technologies, process automation and project reference for complementing its development both in international and China market.

Expansion of overseas market has been the Group's long term development strategy. The Group will monitor continuously the market trend in North America and Asia and translate the new market opportunities into business returns in the foreseeable future.

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

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

As released by Fortune China magazine in July 2013, the Group is delighted that CIMC Enric ranked 450 in the list of China's Fortune 500 companies, which means the Group has been among large enterprises in China, in terms of earnings and financial strength.

Thanks to the shareholders and customers for their trust and support and thanks to all directors and employees for their dedication and good work. The Group endeavours to capture opportunities ahead and continue to grow and bring the best returns to its shareholders.

Supplementary Information

Directors' Interests in Shares

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital *(Note 1)*
Zhao Qingsheng	Beneficial owner	Ordinary	214,000	0.01%
Petrus Gerardus Maria van der Burg ("Mr. van der Burg")	Interest of controlled corporation	Ordinary	86,427,085 *(Note 2)*	4.58%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2013, which was 1,885,155,522. On 7 May 2013, China International Marine Containers (Hong Kong) Limited ("CIMC HK"), a wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd. ("CIMC"), converted 495,000,000 preference shares into ordinary shares. Since then, the Company no longer has any preference shares in issue.

2. These 86,427,085 ordinary shares are held by P.G.M. Holding B.V. ("PGM"), which is controlled by Mr. van der Burg. Mr. van der Burg has resigned as a non-executive director of the Company with effect from 16 July 2013.

Long positions in underlying shares of equity derivatives of the Company

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

Long positions in the shares/underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group")	Zhao Qingsheng	Beneficiary of a trust *(Note 1)*	3,350,000	1.52% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,350,000	0.61% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
CIMC	Zhao Qingsheng	Beneficial owner *(Note 3)*	1,500,000	0.06% *(Note 4)*
	Gao Xiang	Beneficial owner *(Note 3)*	500,000	0.02% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,700,000 units, of which 214,860,000 units were allocated as at 30 June 2013. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,350,000 units, 1,350,000 units, 2,350,000 units and 2,350,000 units allocated respectively. CIMC Vehicle Group is controlled by CIMC as to 80%.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2013, which was 220,700,000.

3. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB11.58 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC in issue as at 30 June 2013, which was 2,662,396,051.

Save as disclosed above, as at 30 June 2013, 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 2013, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2013, 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 *(Note 1)*
CIMC	Interest of controlled corporation	Ordinary	1,322,335,645 *(Note 2)*	70.14%
CIMC HK	Interest of controlled corporation	Ordinary	190,703,000 *(Note 3)*	10.11%
	Beneficial owner	Ordinary	1,131,632,645	60.03%
Charm Wise Limited ("Charm Wise")	Beneficial owner	Ordinary	190,703,000 *(Note 3)*	10.11%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2013, which was 1,885,155,522.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,131,632,645 ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC.

3. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is directly owned by CIMC HK as to 100%.

Save as disclosed above, as at 30 June 2013, (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 2012.

As at 30 June 2013, share options were granted and accepted by the respective participants under the Scheme to subscribe for a total of 81,950,000 ordinary shares of HK$0.01 each in the capital of the Company. During the six months ended 30 June 2013, movements of the options under the Scheme were as follows:

			Number of share options				
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2013	granted during the period	exercised during the period	lapsed during the period	outstanding at 30 June 2013
Directors							
Zhao Qingsheng	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	450,000	–	–	–	450,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	500,000	–	–	–	500,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
Mr. van der Burg (resigned on 16/07/2013)	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	(1,000,000)	–	–
	28/10/2011	28/10/2013 – 27/10/2021	400,000	–	–	–	400,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	300,000
			8,750,000	–	(1,000,000)	–	7,750,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	19,000,000	–	(4,492,000)	–	14,508,000
	28/10/2011	28/10/2013 – 27/10/2021	30,350,000	–	–	(1,070,000)	29,280,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	10,026,000	–	(796,000)	–	9,230,000
	28/10/2011	28/10/2013 – 27/10/2021	3,420,000	–	–	–	3,420,000
Total			71,546,000	–	(6,288,000)	(1,070,000)	64,188,000

Notes:

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

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

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

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

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2013 was HKD8.93 per share.

As at the date of this report, a total of 48,315,220 number of options, representing 2.56% of the issued ordinary share capital of the Company are available for grant under the Scheme.

As at the date of this report, a total of 112,349,220 shares, representing 5.96% of the issued ordinary share capital of the Company, are available for issue under the Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2013.

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 2013.

Corporate Governance

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

The latest corporate governance report of the Company is set out in the Annual Report 2012.

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 2013.

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

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

Biographical Details of Directors

Mr. Petrus Gerardus Maria van der Burg has resigned as a non-executive director of the Company with effect from 16 July 2013.

The biographical details of Directors can be referred to the Annual Report 2012.

Purchase, Sale or Redemption of Listed Securities

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

Directors

As at the date of this report, the Board consists of Mr. Zhao Qingsheng (Chairman), Mr. Gao Xiang (General Manager), Mr. Jin Jianlong and Mr. Yu Yuqun as Executive Directors; Mr. Jin Yongsheng as a Non-executive Director; and Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian as Independent Non-executive Directors.

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 20 August 2013

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