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)

(Stock code: 3899)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	%
Revenue	**3,737,502**	4,163,049	-10.2%
(Loss)/profit attributable to shareholders	**(1,001,960)**	288,499	-447.3%
Basic (loss)/earnings per share	**(RMB0.517)**	RMB0.149	-447.0%

The Board of Directors of CIMC Enric Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announces the unaudited financial results of the Group for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015.

The interim financial results are unaudited but have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, and the Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June **2016** ***RMB'000***	2015 *RMB'000*
Revenue	*5*	**3,737,502**	4,163,049
Cost of sales		**(3,067,532)**	(3,452,889)
Gross profit		**669,970**	710,160
Change in fair value of derivative financial instruments		**(2,312)**	6,644
Other revenue	*6*	**99,276**	80,366
Other income, net	*6*	**22,522**	3,202
Selling expenses		**(126,088)**	(132,272)
Administrative expenses		**(349,080)**	(296,374)
Profit from operations		**314,288**	371,726
Finance costs	*7*	**(44,310)**	(7,859)
Impairment provision	*8*	**(1,214,880)**	–
Share of post-tax loss of associates	*12*	**–**	(424)
(Loss)/profit before taxation	*7*	**(944,902)**	363,443
Income tax expenses	*9*	**(64,137)**	(69,442)
(Loss)/profit for the period		**(1,009,039)**	294,001
Attributable to:			
Equity shareholders of the Company		**(1,001,960)**	288,499
Non-controlling interests		**(7,079)**	5,502
(Loss)/profit for the period		**(1,009,039)**	294,001
(Loss)/earnings per share	*10*		
– Basic		**(RMB0.517)**	RMB0.149
– Diluted		**(RMB0.517)**	RMB0.147

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2016 – unaudited

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**2,204,484**	2,224,597
Construction in progress		**131,352**	114,297
Lease prepayments		**435,533**	440,661
Intangible assets		**210,001**	227,792
Investment in associates	*12*	**4,000**	4,000
Prepayment for acquisition of equity interests		**–**	178,634
Goodwill		**351,284**	232,871
Deferred tax assets		**78,311**	72,468
Other non-current assets		**1,100**	–
		3,416,065	3,495,320
Current assets			
Derivative financial instruments		**212**	–
Inventories	*13*	**2,067,354**	1,911,889
Trade and bills receivables	*14*	**2,620,129**	2,566,252
Deposits, other receivables and prepayments		**1,376,454**	1,515,067
Amounts due from related parties		**134,850**	126,224
Restricted bank deposits	*15(a)*	**387,193**	661,524
Cash and cash equivalents	*15(b)*	**2,583,942**	2,035,950
		9,170,134	8,816,906
Current liabilities			
Derivative financial instruments		**9,618**	7,094
Bank loans	*16*	**225,967**	125,000
Loans from a related party		**690,000**	690,000
Trade and bills payables	*17*	**1,890,312**	1,813,486
Other payables and accrued expenses		**2,280,262**	1,598,546
Amounts due to related parties		**93,824**	114,631
Warranty provision		**40,374**	40,656
Income tax payable		**15,154**	28,874
Employee benefit liabilities		**230**	200
		5,245,741	4,418,487
Net current assets		**3,924,393**	4,398,419
Total assets less current liabilities		**7,340,458**	7,893,739

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Bank loans	16	**1,524,936**	933,070
Warranty provision		**43,743**	44,911
Deferred tax liabilities		**201,679**	171,887
Deferred income		**271,374**	276,754
Employee benefit liabilities		**1,914**	1,645
		2,043,646	1,428,267
NET ASSETS		**5,296,812**	6,465,472
CAPITAL AND RESERVES			
Share capital		**17,742**	17,733
Reserves		**5,132,680**	6,294,270
Equity attributable to equity shareholders of the Company		**5,150,422**	6,312,003
Non-controlling interests		**146,390**	153,469
TOTAL EQUITY		**5,296,812**	6,465,472

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015	17,699	127,924	1,136,308	87,400	(282,819)	373,313	4,623,001	6,082,826	45,804	6,128,630
Profit for the period	–	–	–	–	–	–	288,499	288,499	5,502	294,001
Other comprehensive income	–	–	–	–	(48,878)	–	–	(48,878)	–	(48,878)
Total comprehensive income for the period	–	–	–	–	(48,878)	–	288,499	239,621	5,502	245,123
Issuance of shares in connection with exercise of share options	27	13,570	–	(4,245)	–	–	–	9,352	–	9,352
Distribution to previous shareholders of Burg Service B.V. under common control combination	–	–	(11,737)	–	–	–	–	(11,737)	–	(11,737)
Equity-settled share-based transactions	–	–	–	27,372	–	–	–	27,372	–	27,372
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	1,443	1,443
Transfer to retained profits	–	–	–	(117)	–	–	117	–	–	–
Transfer to general reserve	–	–	–	–	–	5,015	(5,015)	–	–	–
2014 final dividend paid	–	–	–	–	–	–	(297,525)	(297,525)	–	(297,525)
Total contributions by and distributions to owners of the company, recognised directly in equity	27	13,570	(11,737)	23,010	–	5,015	(302,423)	(272,538)	1,443	(271,095)
At 30 June 2015	17,726	141,494	1,124,571	110,410	(331,697)	378,328	4,609,077	6,049,909	52,749	6,102,658

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

NOTES:

1. STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement are extracted from the interim financial report of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016. The interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The interim financial information is unaudited, but has been reviewed by PricewaterhouseCoopers 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.

Key event

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

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

Taking into account the negotiation between the Company, SOE and the Vendors and the Company's knowledge of the financial position of SOE and the Vendors, the Company has made substantial provisions of approximately RMB1.21 billion in aggregate for the abovementioned prepaid consideration, loans and guarantees during the six months ended 30 June 2016. Further details are set out in Note 8.

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

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

(ii) New standards and interpretations not yet adopted

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

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

3. ESTIMATES

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

In preparing this interim financial information, except as described below, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

Provisions arising from financial guarantees provided to SOE

Further to the terminations of the Agreement and the Financial Assistance Agreement, the Group has critically assessed the provisions that might be required for the financial guarantees provided to SOE in the form of the Group's bank deposits pledged for SOE's bank loans. Taking into consideration the latest financial position of SOE, its repayment intention and ability, the Group considered that it is probable that an outflow of economic benefits will be required to settle the obligation arising from the financial guarantees. A provision of RMB700,000,000 was made in this regard as at 30 June 2016 (Note 8(ii)).

4. SEGMENT REPORTING

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

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

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

- Liquid food equipment: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk; and the provision of engineering, procurement and construction services for the brewery industry as well as other liquid food industries.

(a) Segment results, assets and liabilities

	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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,445,660**	1,669,285	**1,248,365**	1,515,438	**1,043,477**	978,326	**3,737,502**	4,163,049
Inter-segment revenue	**105**	24	**27,584**	30,458	**–**	–	**27,689**	30,482
Reportable segment revenue	**1,445,765**	1,669,309	**1,275,949**	1,545,896	**1,043,477**	978,326	**3,765,191**	4,193,531
Reportable segment profit (adjusted profit from operations)	**24,749**	113,823	**172,319**	179,477	**142,443**	99,206	**339,511**	392,506

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,765,191**	4,193,531
Elimination of inter-segment revenue	**(27,689)**	(30,482)
Consolidated revenue	**3,737,502**	4,163,049

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit		
Reportable segment profit	**339,511**	392,506
Elimination of inter-segment profit	**(1,158)**	(895)
Reportable segment profit derived from the Group's external customers	**338,353**	391,611
Finance costs	**(44,310)**	(7,859)
Unallocated operating expenses	**(24,065)**	(19,885)
Share of post-tax loss of associates	**–**	(424)
Impairment provision	**(1,214,880)**	–
Consolidated (loss)/profit before taxation	**(944,902)**	363,443

	At	At
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**11,401,118**	11,578,181
Elimination of inter-segment receivables	**(103,244)**	(65,726)
	11,297,874	11,512,455
Deferred tax assets	**78,311**	72,468
Unallocated assets	**1,210,014**	727,303
Consolidated total assets	**12,586,199**	12,312,226

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

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

5. REVENUE

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

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

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

6. OTHER REVENUE AND OTHER INCOME, NET

(a) Other revenue

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

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

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

(iii) Interest income from SOE represents the interest income derived from loans to SOE, with an interest rate of 4.85% per annum.

(b) Other income, net

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

7. (LOSS)/PROFIT BEFORE TAXATION

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

(i) Finance costs

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

(ii) Other items

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

8. IMPAIRMENT PROVISION

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

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

(i) As disclosed in Note 1 "Key event" section, the Company has assessed the impairment risk of the prepaid consideration, taking into account the negotiation between the Company and the Vendors and the Company's knowledge of the financial position of the Vendors, and considered that there existed a significant doubt on the collectibility of the prepaid consideration. Therefore, a full provision of RMB178,634,000 was provided for the prepaid consideration during the six months ended 30 June 2016.

(ii) The Company has performed an assessment on the impairment risks of the loans to SOE and the likely losses arising from the pledge of bank deposits for SOE's bank loans. After assessing SOE's current financial position, its future repayment ability and other alternative available resources, the Group has made a provision of RMB336,246,000 and RMB700,000,000 respectively for the loans to SOE and the restricted bank deposits during the six months ended 30 June 2016.

9. INCOME TAX EXPENSES

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the period.

According to the Corporate Income Tax Law of the People's Republic of China (the "Tax Law"), the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to advanced and new technology enterprises of 15%.

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

Taxation of subsidiaries in the Netherlands, Belgium, Denmark and Germany are charged at the prevailing rates of 25%, 33.99%, 25% and 30% respectively in the relevant countries and are calculated on a stand-alone basis.

10. (LOSS)/EARNINGS PER SHARE

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

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

12. INVESTMENT IN ASSOCIATES

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

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

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

13. INVENTORIES

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

14. TRADE AND BILLS RECEIVABLES

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

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

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

15. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted bank deposits

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

(i) As disclosed in Note 1 "Key event" section and Note 8 (ii), the Group made a provision of RMB700,000,000 for the pledged bank deposits as at 30 June 2016.

(b) Cash and cash equivalents

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

16. BANK LOANS

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

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

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

17. TRADE AND BILLS PAYABLES

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

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

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

All the trade and bills 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 2016 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 3.36 years. As at 30 June 2016, 20,414,000 of these options were outstanding and exercisable.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2016 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 5.33 years. As at 30 June 2016, 26,644,000 of these options were outstanding and exercisable.

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

19. DIVIDENDS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Product portfolio

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

Energy equipment

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

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

Chemical equipment

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

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

Liquid food equipment

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

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

Revenue

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

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

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

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

Gross profit margin and profitability

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

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

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

Key developments

Termination of acquisition of SOE

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

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

Acquisition of Briggs

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

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

Review by business segments

Energy equipment

Operational performance

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

Research and development

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

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

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

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

Future plans and strategies

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

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

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

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

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

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

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

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

Chemical equipment

Operational performance

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

Research and development

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

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

Future plans and strategies

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

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

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

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

Liquid food equipment

Operational performance

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

Research and development

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

Apart from building a motivated in-house R&D team, the segment has been accumulating R&D capabilities through collaboration with the industry community and the scientific community, for example, joining as members in several scientific committees in the industry, providing presentations on industry conferences and technical universities.

Future plans and strategies

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

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

The Group recognises the importance of innovation and considers innovation as a growth driver. The liquid food equipment segment has developed process innovations and has participated in trade exhibitions to present these innovations to the market. The segment targets to develop innovative products for mash filtration, milling system, energy saving projects, smart conveyor and fast fermentation. Through a cooperative R&D programme with a major customer, the segment endeavours to develop optimized production processes with substantial savings on the customer's production overheads in brewing. The segment targets to penetrate such innovative production processes to more customers, which will facilitate the industry's replacement and upgrades of production processes.

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

FINANCIAL REVIEW

Liquidity and financial resources

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

At 30 June 2016, the Group's bank loans and overdrafts amounted to RMB1,750,903,000 (31 December 2015: RMB1,058,070,000), other than a three-year syndicated bank loan and term loans with tenors ranging from 2 to 3 years for business acquisition and capital expenditure, the remaining is repayable within one year. Apart from the term loans denominated in USD and HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.33% to 4.85% per annum. At 30 June 2016, the Group did not have secured bank loan (31 December 2015: Nil). As of 30 June 2016, bank loans amounting to RMB1,750,903,000 (31 December 2015: RMB1,058,070,000) were guaranteed by the Company's subsidiaries. As at 30 June 2016, loans from related parties amounted to RMB690,000,000 (31 December 2015: RMB690,000,000), which are unsecured, interest bearing from 4.35% to 4.60% (31 December 2015: 4.35% to 4.90%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2015: zero times) as the Group retained a net cash balance of RMB530,232,000 (31 December 2015: RMB949,404,000). The decrease in net cash balance is mainly attributable to financial assistance as well as purchase consideration for acquisitions and dividend paid during the period. The Group's interest coverage was 8.1 times for the period (corresponding period in 2015: 51.0 times) which represents a decline that is mainly due to a substantial increment in bank borrowings in past twelve months. Certainly, the Group's profit from operation and strong operating cash flow demonstrate that the Group is fully capable of meeting its interest expense commitments.

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

Assets and liabilities

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

Contingent liabilities

At 30 June 2016, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB630,227,000, of which balance of performance and quality guarantees was RMB405,150,000 in aggregate and balance of advance payment guarantees was RMB225,077,000. Apart from these, the Group did not have other material contingent liabilities.

Future plans for source of funding and capital commitments

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

At 30 June 2016, the Group had contracted but not provided for capital commitments of RMB58,694,000 (31 December 2015: RMB485,471,000). As of 30 June 2016, the Group did not have authorised but not contracted for capital commitments (31 December 2015: Nil).

Foreign exchange exposure

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

Capital expenditure

In the first half of 2016, the Group invested RMB197,237,000 in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The energy equipment segment, chemical equipment segment and liquid food equipment segment invested RMB41,652,000, RMB23,963,000 and RMB131,610,000 respectively in capital expenditure during the period.

Employees and remuneration policies

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

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

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

PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group is delighted that several subsidiaries of the Group have received awards and certifications for financial performance, product innovation and prestige branding during the first half of 2016. These achievements have fully demonstrated the Group's continuous commitment to strive for industry excellence, which not only served as a proof of public recognition, but also a great encouragement to motivate the Group to attain even better performance. The Group will strive to become a world-leading manufacturer of specialised equipment and provider of project engineering services in energy, chemical and liquid food industries.

Thanks to the shareholders, customers, suppliers and business partners for their confidence and support and thanks to the management and employees for their dedication and contribution. Looking ahead, the Group remains prudently optimistic about the outlook of the sectors it engaged in. The Group firmly believes that the combination of the Group's key strategies and diversified business model will create sustainable and long-term value to shareholders.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), throughout the six months ended 30 June 2016.

The latest corporate governance report of the Company is set out in the Annual Report 2015. Details of each of the audit committee, the remuneration committee and the nomination committee of the Company are also provided in the same report.

The audit committee of the Company has reviewed and discussed with management the unaudited financial report of the Group for the period.

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 announcement, the Board consists of Mr. Gao Xiang *(Chairman)*, Mr. Liu Chunfeng *(General Manager)*, Mr. Jin Jianlong and Mr. Yu Yuqun as executive Directors; Mr. Jin Yongsheng as a non-executive Director; and Mr. Wong Chun Ho, Mr. Tsui Kei Pang and Mr. Zhang Xueqian as independent non-executive Directors.

By order of the Board
CIMC Enric Holdings Limited
Gao Xiang
Chairman

Hong Kong, 22 August 2016

The Interim Report 2016 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.