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 2010

The Board of Directors of CIMC Enric Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited financial results of the Group for the six months ended 30 June 2010. As a result of the acquisitions of certain companies from China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱（集團）股份有限公司) in 2009, the comparative figures for the same period of 2009 have been restated as if the current combined entity had been in existence throughout the six months ended 30 June 2009.

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

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 — unaudited

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

CONSOLIDATED BALANCE SHEET

At 30 June 2010 — unaudited

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Notes:

1. **Basis of preparation**

   (a) *Statement of compliance*

   The consolidated results set out in this announcement do not constitute 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 2010 but are extracted from the interim financial report.

   The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 20 August 2010.

   The interim financial report has been prepared in accordance with the same accounting policies adopted by the Group in the preparation of the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

   The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

   (b) *Basis of preparation of the interim financial statements*

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

   - the Company acquired from China International Marine Containers (Hong Kong) Limited ("CIMC HK") and CIMC Vehicle Investment Holdings Company Limited ("CIMC Vehicle") 80.04% and 19.96%, respectively, of the issued share capital of Sound Winner Holdings Limited ("Sound Winner"); and

   - the Company acquired from CIMC HK and P.G.M. Holding B.V. ("PGM") 80% and 20%, respectively, the issued share capital of Full Medal Limited ("Full Medal").

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

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

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

2. Changes in accounting policies

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

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

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

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

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

3. **Segment reporting**

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

- Energy equipment
- Chemical equipment
- Liquid food equipment

(a) Segment results, assets and liabilities

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000 (restated)	**RMB'000**	RMB'000 (restated)	**RMB'000**	RMB'000 (restated)	**RMB'000**	RMB'000 (restated)
Revenue from external customers	**992,908**	654,480	**432,011**	317,575	**207,280**	348,115	**1,632,199**	1,320,170
Inter-segment revenue	**12**	24	**-**	–	**-**	–	**12**	24
Reportable segment revenue	**992,920**	654,504	**432,011**	317,575	**207,280**	348,115	**1,632,211**	1,320,194
Reportable segment profit (adjusted profit from operations)	**120,056**	79,020	**46,146**	(28,405)	**18,303**	34,706	**184,505**	85,321
Reportable segment assets	**2,505,774**	2,062,393	**1,232,982**	993,906	**691,688**	809,322	**4,430,444**	3,865,621
Reportable segment liabilities	**1,070,769**	817,021	**411,796**	278,100	**193,552**	231,922	**1,676,117**	1,327,043

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(restated)
Profit		
Reportable segment profit	**184,505**	85,321
Elimination of inter-segment profits	**(1,024)**	173
Reportable segment profit derived from the Group's external customers	**183,481**	85,494
Finance costs	**(3,500)**	(31,975)
Unallocated operating income and expenses	**(20,027)**	(2,952)
Consolidated profit before taxation	**159,954**	50,567

	At 30 June	At 31 December
	2010	2009
	RMB'000	RMB'000
Assets		
Reportable segment assets	**4,430,444**	3,865,621
Elimination of inter-segment receivables	**(18,685)**	1,233
	4,411,759	3,866,854
Deferred tax assets	**20,165**	49,095
Unallocated assets	**12,159**	8,760
Consolidated total assets	**4,444,083**	3,924,709

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Liabilities		
Reportable segment liabilities	**1,676,117**	1,327,043
Elimination of inter-segment payables	**(18,685)**	(1,233)
	1,657,432	1,325,810
Income tax payable	**18,557**	27,826
Deferred tax liabilities	**86,958**	110,214
Unallocated liabilities	**45,565**	57,771
Consolidated total liabilities	**1,808,512**	1,521,621

4. Turnover

The Group is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

5. Other revenue and other net expenses

		Six months ended 30 June	
		2010 RMB'000	2009 RMB'000 (restated)
Other revenue			
Government grants	*(i)*	**5,119**	1,024
Other operating revenue	*(ii)*	**28,891**	15,862
Interest income from bank deposits		**4,814**	1,853
		38,824	18,739

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(restated)
Other net expenses		
Net gain/(loss) on disposal of property, plant and equipment	**28**	(198)
Charitable donations	**(138)**	(50)
Other net (expenses)/income	**(872)**	138
	(982)	(110)

6. Profit before taxation

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

(i) Finance costs

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

(ii) Other items

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

7. Income tax

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(restated)
Current tax	**30,876**	8,109
Deferred tax	**10,185**	(8,139)
	41,061	(30)

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the period. Profits of the Group's operating subsidiaries are subject to income taxes in the respective tax jurisdictions.

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

According to the PRC tax law, the existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period starting from 2008. The applicable income tax rate under the preferential tax policy of the Company's subsidiaries in the PRC expires at the shorter of the existing preferential tax period and the five-year transitional period.

During the six months ended 30 June 2010, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and accordingly the Company's subsidiaries in the PRC were subject to state income tax at 12.5% to 25% (six months ended 30 June 2009: 12.5% to 25%).

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

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

8. Earnings per share

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**115,372**	50,599

	Six months ended 30 June	
	2010	2009
		(restated)
Number of shares		
Weighted average number of ordinary shares	**857,452,201**	857,452,201
Weighted average number of non-redeemable convertible preference shares	**1,015,641,321**	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	**1,873,093,522**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme	**6,861,684**	–
Weighted average number of shares for the purpose of diluted earnings per share	**1,879,955,206**	1,873,093,522

9. Property, plant and equipment

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

10. Inventories

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

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

11. Trade and bills receivable

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

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

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

12. Cash at bank and in hand

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

13. Bank loans and overdrafts

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

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

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

14. Trade and bills payable

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

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

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

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

15. Dividends

No dividend has been paid or declared by the Company during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

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 among the energy, chemical and liquid food industries.

Product portfolio

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

Energy equipment

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

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

Chemical equipment

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

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

Liquid food equipment

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

These products and services are branded "Holvrieka".

Operational performance

Turnover

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

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

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

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

Gross profit margin and profitability

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

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

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

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

Profit from operations expressed as a percentage of turnover increased by 4.8 percentage points to 10.0% (corresponding period in 2009: 5.2%) which is attributable to two main reasons, namely the rebound in turnover and the effective control measures on human resources costs as well as the raw material procurement.

Research and development

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

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

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

Production capacity

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

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

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

Sales and marketing

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

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

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

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

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

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

Cost control

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

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

Customer service

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

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

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

Human resources

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

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

Financial Resources Review

Liquidity and financial resources

At 30 June 2010, the Group recorded cash on hand of RMB711,441,000 (31 December 2009: RMB872,640,000) and bank loans and overdrafts of RMB126,294,000 (31 December 2009: RMB193,151,000). A portion of the Group's bank deposits totalling RMB85,807,000 (31 December 2009: RMB77,940,000), which had more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

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

During the period, net cash generated from operating activities amounted to RMB21,265,000 (corresponding period in 2009: RMB239,983,000). The Group drew bank loans of RMB42,735,000 (corresponding period in 2009: RMB351,585,000) and repaid RMB107,584,000 (corresponding period in 2009: RMB243,892,000). Apart from drawing bank loans, the Group did not engage in other forms of financing activities in the current period.

Assets and liabilities

At 30 June 2010, total assets of the Group amounted to RMB4,444,084,000 (31 December 2009: RMB4,296,521,000) while total liabilities were RMB1,808,510,000 (31 December 2009: RMB1,721,029,000). The net asset value rose by 2.3% to RMB2,635,574,000 (31 December 2009: RMB2,575,492,000) which was attributed to the net profit of RMB118,894,000 for the period. As a result, the net asset value per share increased to RMB1.407 at 30 June 2010 from RMB1.375 at 31 December 2009.

Contingent liabilities

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

Capital commitments

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

Foreign exchange exposure

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

Future plans for material investments and expected source of funding

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

Future Plans and Strategies

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Code on Corporate Governance Practices 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 2010.

The latest corporate governance report of the Company is set out in the Annual Report 2009. 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 interim period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

DIRECTORS

As at the date of this announcement, the Board consists of Mr. Zhao Qingsheng *(Chairman)*, Mr. Gao Xiang *(General Manager)*, Mr. Jin Jianlong and Mr. Yu Yuqun as executive Directors; Mr. Jin Yongsheng and Mr. Petrus Gerardus Maria van der Burg as non-executive Directors; and Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Tsui Kei Pang as independent non-executive Directors.

By order of the Board
CIMC Enric Holdings Limited
Zhao Qingsheng
Chairman

Hong Kong, 20 August 2010

The Interim Report 2010 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.