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

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

Stock Code 股份代號：3899

中期報告
Interim Report 2017

Vision 願景

To be a world-leading manufacturer of specialised equipment and provider of project engineering services and integrated solutions for energy, chemical and liquid food industries.

成為全球領先的能源、化工及液態食品行業專用裝備製造商、項目工程服務和整體解決方案供應商。

Mission 使命

To contribute to the technological advancement and industrial development for the global energy, chemical and liquid food equipment markets; to maximise value for the company's stakeholders; to contribute to greener, cleaner and better living.

為全球能源、化工、液態食品裝備行業的技術進步和產業發展，為公司利益相關者的價值最大化，為人類生活更加綠色、清潔、美好做出貢獻。

About Us 關於我們

Founded in 2004, CIMC Enric has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group.

Our production bases and R&D centres are located in various countries including China, the Netherlands, Germany, Belgium, Denmark and United Kingdom, shaping an interactive and complementary business model across China and Europe. Our sales and marketing network spans across the world.

中集安瑞科於2004年成立，自2005年在香港聯交所上市，為中集集團成員之一。

我們在中國、荷蘭、德國、比利時、丹麥及英國等國家擁有生產基地和研發中心，形成了中歐互動、互為支持的產業格局。我們的營銷網絡遍布全球。

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Financial Highlights

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000	+/–
FINANCIAL POSITION			
Total assets	**13,289,079**	12,888,423	+3.1%
Net assets	**5,450,612**	5,302,065	+2.8%
Net current assets	**3,621,442**	3,806,749	–4.9%
Cash and cash equivalents	**2,561,170**	2,916,900	–12.2%
Bank loans and other borrowings	**2,017,855**	2,473,994	–18.4%
Gearing ratio[1]	**37.0%**	46.7%	–9.7 ppt

	For the six months ended 30 June		
	2017 RMB'000	2016 RMB'000	+/–
OPERATING RESULTS			
Revenue	**4,626,306**	3,737,502	+23.8%
Gross profit	**747,199**	669,970	+11.5%
EBITDA	**423,934**	427,416	–0.8%
Profit from operations	**296,217**	314,288	–5.7%
Profit/(loss) attributable to equity shareholders	**74,779**	(1,001,960)	+107.5%
PER SHARE DATA			
Earnings/(loss) per share – Basic	**RMB0.039**	(RMB0.517)	+107.5%
Earnings/(loss) per share – Diluted	**RMB0.038**	(RMB0.517)	+107.4%
Net asset value per share	**RMB2.812**	RMB2.736	+2.8%
KEY STATISTICS			
GP ratio	**16.2%**	17.9%	–1.7 ppt
EBITDA margin	**9.2%**	11.4%	–2.2 ppt
Operating profit margin	**6.4%**	8.4%	–2.0 ppt
Return on equity (half year)[2]	**1.4%**	(17.5%)	+18.9 ppt
Interest coverage – times	**7.1**	8.1	–1
Inventory turnover days	**114**	117	–3
Debtor turnover days	**117**	126	–9
Creditor turnover days	**98**	109	–11

Notes:

1 Gearing ratio = Bank loans and other borrowings ÷ Total equity

2 Return on equity = Profit/(loss) attributable to equity shareholders ÷ Average shareholders' equity

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

Introduction

We have reviewed the interim financial report set out on pages 4 to 27, which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2017

Consolidated Income Statement

For the six months ended 30 June 2017 – unaudited

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	*6*	**4,626,306**	3,737,502
Cost of sales		**(3,879,107)**	(3,067,532)
Gross profit		**747,199**	669,970
Change in fair value of derivative financial instruments		**7,435**	(2,312)
Other revenue	*7(a)*	**86,623**	99,276
Other (expenses)/income, net	*7(b)*	**(16,954)**	22,522
Selling expenses		**(166,218)**	(126,088)
Administrative expenses		**(361,868)**	(349,080)
Profit from operations		**296,217**	314,288
Finance costs	*8*	**(42,778)**	(44,310)
Impairment provision	*9*	**(105,549)**	(1,214,880)
Profit/(loss) before taxation	*8*	**147,890**	(944,902)
Income tax expenses	*10*	**(71,280)**	(64,137)
Profit/(loss) for the period		**76,610**	(1,009,039)
Attributable to:			
Equity shareholders of the Company		**74,779**	(1,001,960)
Non-controlling interests		**1,831**	(7,079)
Profit/(loss) for the period		**76,610**	(1,009,039)
Earnings/(loss) per share	*11*		
– Basic		**RMB0.039**	(RMB0.517)
– Diluted		**RMB0.038**	(RMB0.517)

The notes on pages 11 to 27 form an integral part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017 – unaudited

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit/(loss) for the period	**76,610**	(1,009,039)
Other comprehensive income for the period		
Items that may be reclassified to profit or loss:		
Currency translation differences	**57,847**	(19,042)
Total comprehensive income for the period	**134,457**	(1,028,081)
Attributable to:		
Equity shareholders of the Company	**132,626**	(1,021,002)
Non-controlling interests	**1,831**	(7,079)
Total comprehensive income for the period	**134,457**	(1,028,081)

The notes on pages 11 to 27 form an integral part of this interim financial report.

Consolidated Balance Sheet

As at 30 June 2017 – unaudited

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**2,150,973**	2,148,410
Construction in progress		**92,149**	122,767
Lease prepayments		**424,996**	430,176
Intangible assets		**216,183**	228,221
Investment in associates	*13*	**6,000**	6,000
Goodwill		**312,328**	317,528
Deferred tax assets		**100,225**	92,593
		3,302,854	3,345,695
Current assets			
Derivative financial instruments		**221**	–
Inventories	*14*	**2,632,988**	2,248,202
Trade and bills receivables	*15*	**3,191,864**	2,769,315
Deposits, other receivables and prepayments	*16*	**1,140,078**	1,171,474
Amounts due from related parties	*24(b)*	**205,448**	173,197
Restricted bank deposits	*17(a)*	**254,456**	263,640
Cash and cash equivalents	*17(b)*	**2,561,170**	2,916,900
		9,986,225	9,542,728
Current liabilities			
Derivative financial instruments		**2,983**	10,197
Bank loans	*18*	**543,232**	177,055
Loans from a related party	*24(c)*	**460,000**	875,000
Trade and bills payables	*19*	**2,218,367**	1,966,345
Other payables and accrued expenses		**2,937,781**	2,539,317
Amounts due to related parties	*24(b)*	**123,487**	73,597
Warranty provision		**57,859**	43,563
Income tax payable		**20,738**	50,587
Employee benefit liabilities		**336**	318
		6,364,783	5,735,979
Net current assets		**3,621,442**	3,806,749
Total assets less current liabilities		**6,924,296**	7,152,444

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Bank loans	*18*	**1,014,623**	1,421,939
Warranty provision		**43,877**	38,524
Deferred tax liabilities		**152,975**	122,562
Deferred income		**259,349**	264,650
Employee benefit liabilities		**2,860**	2,704
		1,473,684	1,850,379
NET ASSETS		**5,450,612**	5,302,065
CAPITAL AND RESERVES			
Share capital		**17,758**	17,743
Reserves	*21*	**5,287,689**	5,140,988
Equity attributable to equity shareholders of the Company		**5,305,447**	5,158,731
Non-controlling interests		**145,165**	143,334
TOTAL EQUITY		**5,450,612**	5,302,065

The notes on pages 11 to 27 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 – unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note 21(b))	*(Note 21(c))*		*(Note 21(d))*				
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

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000 *(Note 21(b))*	Capital reserve RMB'000 *(Note 21(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 21(d))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	17,743	147,005	1,124,571	171,748	(428,754)	452,424	3,673,994	5,158,731	143,334	5,302,065
Profit for the period	-	-	-	-	-	-	74,779	74,779	1,831	76,610
Other comprehensive income	-	-	-	-	57,847	-	-	57,847	-	57,847
Total comprehensive income for the period	-	-	-	-	57,847	-	74,779	132,626	1,831	134,457
Issuance of shares in connection with exercise of share options	15	6,346	-	(1,854)	-	-	-	4,507	-	4,507
Transfer to retained earnings	-	-	-	(586)	-	-	586	-	-	-
Equity-settled share-based transactions	-	-	-	9,583	-	-	-	9,583	-	9,583
Transfer to general reserve	-	-	-	-	-	14,069	(14,069)	-	-	-
Total contributions by and distributions to owners of the Company, recognised directly in equity	15	6,346	-	7,143	-	14,069	(13,483)	14,090	-	14,090
At 30 June 2017	17,758	153,351	1,124,571	178,891	(370,907)	466,493	3,735,290	5,305,447	145,165	5,450,612

The notes on pages 11 to 27 form an integral part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 – unaudited

		Six months ended 30 June	
	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities			
Cash generated from operations		**223,796**	765,093
Income tax paid		**(76,354)**	(64,714)
Net cash generated from operating activities		**147,442**	700,379
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(58,538)**	(77,679)
Payment for acquisition of intangible assets		**(327)**	(64)
Acquisition of a subsidiary, net of cash acquired		**–**	(119,494)
Proceeds from disposal of property, plant and equipment		**1,056**	902
Interest received		**15,735**	19,207
Loans to a third party		**–**	(50,351)
Restricted bank deposits		**9,184**	(425,669)
Net cash used in investing activities		**(32,890)**	(653,148)
Financing activities			
Proceeds from new bank loans		**317,000**	748,235
Repayment of bank loans		**(324,864)**	(85,223)
Interest paid		**(38,125)**	(34,498)
Proceeds from issuance of ordinary shares		**4,507**	2,427
Dividends paid to Company's shareholders		**–**	(162,895)
Loans from a related party		**40,000**	630,000
Repayment of loans from a related party		**(455,000)**	(630,000)
Net cash (used in)/generated from financing activities		**(456,482)**	468,046
Net (decrease)/increase in cash and cash equivalents		**(341,930)**	515,277
Cash and cash equivalents at 1 January	*17(b)*	**2,916,900**	2,035,950
Effect of foreign exchange rate changes		**(13,800)**	32,715
Cash and cash equivalents at 30 June	*17(b)*	**2,561,170**	2,583,942

The notes on pages 11 to 27 form an integral part of this interim financial report.

Notes to The Unaudited Interim Financial Report

1 General information

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

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

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

This condensed consolidated interim financial report was approved for issue on 22 August 2017.

This condensed consolidated interim financial report has been reviewed, not audited.

Significant events and transactions

As disclosed in 2015 and 2016 Annual Reports, 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, Jiangsu Pacific Shipbuilding Group Co., Ltd. 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 could not 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 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, repayment of the loans of RMB482,052,000 and release of the guarantees for bank loans of RMB1,000,000,000 provided by a subsidiary of the Company to, or in favour of, SOE. As at 31 December 2016, the total receivables due from SOE amounted to RMB1,480,351,000. Based on the available information, the Company has made substantial provisions of approximately RMB178,634,000 and RMB1,184,281,000 respectively for the receivable due from the Vendors and SOE during the year ended 31 December 2016.

On 5 July 2017, the Company announced that SOE was under receivership by the SOE Insolvency and Liquidation Team (the "Receiver") which was appointed by the PRC Court. EIHL, SOE and the Receiver entered into restructuring investment agreement pursuant to which EIHL as the restructuring investor, offered to purchase the major assets of SOE through acquiring SOE's issued shares, representing the entire equity interest in SOE for a consideration of RMB799,800,000. This offer and the restructuring plan were subject to the approval of SOE's creditors at the creditors' meeting and the PRC Court.

Subsequently, the Company announced that the restructuring plan was approved by SOE's creditors at the creditors' meeting as well as by the PRC Court on 4 August 2017. The Company acquired 100% of the issued shares in SOE and SOE became a wholly-owned subsidiary of the Company. This transaction was substantially completed on 15 August 2017.

2 Significant accounting policies

(a) *Basis of preparation of the interim financial report*

This interim financial report for the six months ended 30 June 2017 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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(b) *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 2017 and have not been early adopted:

	Effective for accounting periods beginning on or after
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
Amendment to HKFRS 1, "First time adoption of HKFRS"	1 January 2018
Amendment to HKAS 28, "Investments in associates and joint ventures"	1 January 2018
HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"	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 report 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 report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4 Financial risk management

(a) *Financial risk factors*

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

(b) *Liquidity risk*

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

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

	At 30 June 2017 Contractual undiscounted cash flow				At 31 December 2016 Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	**1 to 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**584,491**	**1,027,063**	**1,611,554**	**1,557,855**	220,202	1,454,916	1,675,118	1,598,994
Bills payables, creditors and accrued expenses	**2,928,738**	**-**	**2,928,738**	**2.928.738**	2,737,797	–	2,737,797	2,737,797
Amounts due to related parties	**601,860**	**-**	**601,860**	**583,487**	960,968	–	960,968	948,597
	4,115,089	**1,027,063**	**5,142,152**	**5,070,080**	3,918,967	1,454,916	5,373,883	5,285,388

(c) *Fair value estimation*

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2017, the Group's only financial instruments measured at fair value were derivative financial instruments arising from forward exchange contracts and classified as level 2.

There were no transfers between Levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

(d) *Valuation techniques used to derive Level 2 fair values*

Level 2 financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

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

The carrying amounts of the financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016.

5 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; and the provision of maintenance services for tank containers.

- 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

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

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

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

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at the Group's profits, the reporting segments' adjusted profits from operation are further adjusted for items not specifically attributed to an individual reportable segment, such as finance costs, share of post-tax loss of associates, impairment provision in relation with the receivables from the Vendors and SOE, directors' remuneration, auditors' remuneration and other head office or corporate administrative expenses.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the period is set out below.

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue from external customers	**2,164,153**	1,445,660	**1,363,939**	1,248,365	**1,098,214**	1,043,477	**4,626,306**	3,737,502
Inter-segment revenue	**979**	105	**44,444**	27,584	**-**	–	**45,423**	27,689
Reportable segment revenue	**2,165,132**	1,445,765	**1,408,383**	1,275,949	**1,098,214**	1,043,477	**4,671,729**	3,765,191
Reportable segment profit (adjusted profit from operations)	**9,649**	24,749	**216,885**	172,319	**105,747**	142,443	**332,281**	339,511

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000
Reportable segment assets	**7,213,955**	6,776,022	**2,221,348**	2,126,082	**3,226,232**	2,944,387	**12,661,535**	11,846,491
Reportable segment liabilities	**3,342,568**	2,810,174	**981,186**	851,249	**1,908,480**	1,790,889	**6,232,234**	5,452,312

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	**4,671,729**	3,765,191
Elimination of inter-segment revenue	**(45,423)**	(27,689)
Consolidated revenue	**4,626,306**	3,737,502

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Profit/(loss)		
Reportable segment profit	**332,281**	339,511
Elimination of inter-segment profit	**(1,470)**	(1,158)
Reportable segment profit derived from the Group's external customers	**330,811**	338,353
Finance costs	**(42,778)**	(44,310)
Unallocated operating expenses	**(34,594)**	(24,065)
Impairment provision	**(105,549)**	(1,214,880)
Consolidated profit/(loss) before taxation	**147,890**	(944,902)

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Assets		
Reportable segment assets	**12,661,535**	11,846,491
Elimination of inter-segment receivables	**(293,464)**	(160,800)
	12,368,071	11,685,691
Deferred tax assets	**100,225**	92,593
Unallocated assets	**820,783**	1,110,139
Consolidated total assets	**13,289,079**	12,888,423

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Liabilities		
Reportable segment liabilities	**6,232,234**	5,452,312
Elimination of inter-segment payables	**(293,464)**	(160,800)
	5,938,770	5,291,512
Income tax payable	**20,738**	50,587
Deferred tax liabilities	**152,975**	122,562
Unallocated liabilities	**1,725,984**	2,121,697
Consolidated total liabilities	**7,838,467**	7,586,358

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.

6 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	
	2017 RMB'000	2016 RMB'000
Sales of goods	**3,319,337**	2,439,112
Revenue from project engineering contracts	**1,306,969**	1,298,390
	4,626,306	3,737,502

7 Other revenue and other (expenses)/income, net

(a) *Other revenue*

	Note	Six months ended 30 June **2017** **RMB'000**	 2016 RMB'000
Government grants	*(i)*	**9,416**	31,262
Other operating revenue	*(ii)*	**61,472**	46,892
Interest income from SOE	*(iii)*	**–**	9,909
Interest income from bank deposits		**15,735**	11,213
		86,623	99,276

(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 the sale of scrap materials and provision of maintenance services and subcontracting services.

(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 (expenses)/income, net*

	Six months ended 30 June **2017** **RMB'000**	 2016 RMB'000
Net loss on disposal of property, plant and equipment	**(499)**	(1,750)
Foreign exchange (loss)/gain	**(11,968)**	22,672
Other net (expenses)/income	**(4,487)**	1,600
	(16,954)	22,522

8 Profit/(loss) before taxation

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

(i) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**41,346**	38,282
Bank charges	**1,432**	6,028
	42,778	44,310

(ii) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**101,052**	94,129
Amortisation of intangible assets	**22,916**	19,899
Amortisation of lease prepayments	**5,181**	5,128
Impairment provision for trade receivables	**17,204**	28,677
Reversal of impairment provision of trade receivables	**(2,188)**	(185)
Reversal of write-down of inventories	**(79)**	(4,378)
Research and development costs	**78,216**	67,744
Operating lease charges for property rental	**9,147**	5,122
Provision for product warranties	**35,856**	14,330
Equity-settled share-based payment expenses	**9,583**	19,889

9 Impairment provision

The amount represents the provisions for impairment in relation with the "Significant events and transactions" mentioned in Note 1, which is analysed as below:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Impairment provision for receivables from the Vendors	**–**	178,634
Impairment provision for receivables from SOE (i)	**105,549**	1,036,246
	105,549	1,214,880

(i) As disclosed in Note 1 "Significant events and transactions" section, on 5 July 2017, EIHL, SOE and the Receiver entered into an agreement pursuant to which EIHL, as the restructuring investor, offered to acquire SOE's entire issued shares. To the Company's best knowledge, based on the repayment capability analysis provided by the Receiver, the recoverable amount of the receivables due from SOE as at 30 June 2017 was estimated to be approximately RMB190,521,000. Accordingly, the Company further made an impairment provision of approximately RMB105,549,000 to write down the receivables due from SOE and recorded this provision amount in the consolidated income statement for the six months ended 30 June 2017.

10 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax	**45,770**	46,160
Deferred income tax	**25,510**	17,977
	71,280	64,137

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 2017, no deferred withholding tax was provided for the distributable profits of PRC subsidiaries.

Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany and United Kingdom are charged at the prevailing rates of 25%, 33.99%, 25%, 30% and 20% respectively in the relevant countries and are calculated on a stand-alone basis.

11 Earnings/(loss) per share

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	**74,779**	(1,001,960)

	Six months ended 30 June	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,937,702,353**	1,936,208,599
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme *(note 20)*	**15,521,743**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,953,224,096**	1,936,208,599

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.

12 Property, plant and equipment

During the six months ended 30 June 2017, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB89,732,000 (six months ended 30 June 2016: RMB60,663,000). Items of property, plant and equipment with net book value totalling RMB1,555,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB2,652,000), resulting in a loss of RMB499,000 (six months ended 30 June 2016: RMB1,750,000).

13 Investment in associates

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Unlisted shares, at cost	**6,000**	6,000

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

14 Inventories

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	**827,482**	662,426
Consignment materials	**139,238**	64,475
Work in progress	**826,831**	778,272
Finished goods	**839,437**	743,029
	2,632,988	2,248,202

15 Trade and bills receivables

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current	**2,000,684**	1,697,877
Less than 1 month past due	**168,224**	47,148
1 to 3 months past due	**191,768**	280,974
More than 3 months but less than 12 months past due	**349,987**	338,841
More than 12 months past due	**481,201**	404,475
Amounts past due	**1,191,180**	1,071,438
	3,191,864	2,769,315

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.

16 Deposits, other receivables and prepayments

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Receivables from the Vendors	**178,634**	178,634
Receivables from SOE	**1,480,351**	1,480,351
Less: Impairment provisions for receivables from the Vendors and SOE (i)	**(1,468,464)**	(1,362,915)
Advances to suppliers	**164,737**	134,311
Deposits for tenders, contract work and equipment purchase	**145,602**	112,347
Staff advances	**19,872**	13,149
Deductible input value-added tax ("VAT")	**36,822**	26,221
Prepayments for services	**4,526**	9,488
Amount due from customers for contract work	**478,969**	504,659
Others	**99,029**	75,229
	1,140,078	1,171,474

(i) As disclosed in Note 1 "Significant events and transactions" section and Note 9, the Group has further made an impairment provision of RMB105,549,000 for the six months ended 30 June 2017. As at 30 June 2017, the provisions made by the Group in relation with the receivables due from the Vendors and SOE amounted to RMB1,468,464,000 in aggregate.

The carrying amount of deposits, other receivables and prepayments approximate their fair values.

17 Restricted bank deposits and cash and cash equivalents

(a) *Restricted bank deposits*

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Deposits for banking facilities	**254,456**	263,640

(b) *Cash and cash equivalents*

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash in hand and demand deposits	**2,559,388**	2,916,445
Bank deposits within three months of maturity	**1,782**	455
	2,561,170	2,916,900

18 Bank loans

At 30 June 2017, the bank loans were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year or on demand	**543,232**	177,055
After 1 year but within 2 years	**1,014,623**	1,421,939
	1,557,855	1,598,994

As at 30 June 2017, all the bank loans were unsecured. The annual rate of interest charged on the bank loans ranged from 2.96% to 4.35% for the six months ended 30 June 2017 (six months ended 30 June 2016: 2.33% to 4.85%).

19 Trade and bills payables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade creditors	**1,998,560**	1,645,745
Bills payables	**219,807**	320,600
	2,218,367	1,966,345

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	**1,823,293**	1,560,219
3 months to 12 months	**203,373**	275,664
Over 12 months	**191,701**	130,462
	2,218,367	1,966,345

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

20 Equity-settled share-based transactions

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 30 June 2017, no option under Scheme II was granted.

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2017 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 2.36 years. As at 30 June 2017, 19,794,000 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 2017 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 4.33 years. As at 30 June 2017, 25,498,000 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 2017 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 6.93 years. As at 30 June 2017, 36,310,000 of these options were outstanding, of which 25,417,000 options were exercisable, 10,893,000 options will become exercisable on 5 June 2018.

21 Capital, reserves and dividends

(a) Dividends

No dividend was proposed or paid in relation to the year ended 31 December 2016 (final dividend of RMB162,895,000 in relation to the year ended 31 December 2015 was paid in 2016).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

(b) Contributed surplus

The contributed surplus of the Group includes the difference between:

(i) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005;

(ii) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and the nominal value of the shares issued by the Company in exchange for the acquisition of certain subsidiaries during the year ended 31 December 2009;

(iii) the registered capital of Nantong CIMC Energy Equipment Co, Ltd ("Nantong Transport") acquired of RMB69,945,550; and the aggregate cash consideration paid by the Company of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012;

(iv) the registered capital of Holvrieka (China) Co.,Ltd. ("NCLS") acquired of RMB324,539,380; and the nominal value of the 39,740,566 ordinary shares issued by the Company in exchange for the acquisition of NCLS during the year ended 31 December 2014; and

(v) the nominal value of the share capital of Burg Service B.V. acquired of RMB1,263,000; and the aggregate cash consideration paid by the Company of RMB11,737,000 for the acquisition of Burg Service B.V. during the six months ended 30 June 2015.

(c) Capital reserve

Capital reserve comprises the portion of the grant date fair value of unexercised share options granted to directors, employees and other eligible persons of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

(d) General reserve fund

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

The Group's subsidiary in Belgium is required to set up a legal reserve of 10% of share capital in accordance with the Belgium Law. The legal reserve is not distributable.

22 Commitments

(a) Capital commitments outstanding at 30 June 2017 not provided for in the interim financial report were as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for		
– Production facilities	**34,433**	28,779

As disclosed in Note 1 "Significant events and transactions" section, EIHL offered to purchase the major assets of SOE for a consideration of RMB799,800,000 and the transaction has been approved on 4 August 2017. By the date of this consolidated interim financial report, EIHL has paid RMB50,000,000 to the Receiver as deposit and the outstanding consideration to be paid amounted to RMB749,800,000.

(b) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	**10,450**	12,552
After 1 year but within 5 years	**12,245**	16,470
After 5 years	**12,305**	7,609
	35,000	36,631

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

23 Contingencies

As at 30 June 2017, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB 695,197,000, of which balance of performance and quality guarantees was RMB338,541,000 in aggregate and balance of advance payment guarantees was RMB356,656,000.

24 Related party transactions

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

		Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Nature of transactions			
Sales	*(i)*	**83,683**	96,688
Purchases	*(ii)*	**85,478**	42,773
Comprehensive charges	*(iii)*	**1,297**	197
Processing charges	*(iv)*	**7,027**	8,314
Processing income	*(v)*	**4,632**	2,016
Office services income	*(vi)*	**6,482**	5,865
Loans from a related party	*(vii)*	**40,000**	630,000
Repayment of loans from a related party	*(vii)*	**455,000**	630,000
Loan interest expenses	*(vii)*	**13,866**	19,859
Other financial service charges	*(viii)*	**209**	315
Deposit service	*(ix)*	**243,036**	189,352
Interest income from deposits	*(ix)*	**1,169**	1,712

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 4.35% to 4.50% (2016: 4.35% to 4.65%) per annum and are repayable within one year.

(viii) Other financial services charges mainly represent commercial notes acceptance and discounting service provided to the Group by a related party.

(ix) Deposit service represents deposit acceptance service provided by a related party to the Group. The amount represents the maximum daily outstanding balance of the Group's deposits placed with the related party. The deposits bear interest and can be withdrawn on demand.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables for products sold	**205,448**	173,197
Trade payables for raw material purchased and receipts in advance for sales	**(123,487)**	(73,597)

(i) The outstanding balances with these related parties are unsecured, interest free and repayable on demand.

(ii) No provisions for bad or doubtful debts have been made in respect of these outstanding receivable balances.

(c) Loans from a related party

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Loans from a related party	**460,000**	875,000

The loans are unsecured, interest bearing from 4.35% to 4.50% (2016: 4.35% to 4.65%) per annum and are repayable within a year.

(d) Deposits placed with a related party

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Deposits	**243,036**	349,634

(i) The deposits bear interest and can be withdrawn on demand.

(ii) The deposits are included as part of the Group's cash and equivalents (note 17(b)).

(e) Immediate and ultimate controlling party

As at 30 June 2017, the Directors consider the immediate parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2017, the Directors consider the ultimate controlling party of the Company to be China International Marine Containers (Group) Co., Ltd. which is incorporated in the People's Republic of China. This entity produces financial statements available for public use.

25 Events occurring after the balance sheet date

As disclosed in Note 1, "Significant events and transactions" section, the restructuring plan in relation to SOE was approved by SOE's creditors at the creditors' meeting as well as by the PRC Court on 4 August 2017. The Company acquired 100% of the issued shares in SOE and SOE became a wholly-owned subsidiary of the Company. This transaction was substantially completed on 15 August 2017.

The Group has commissioned an independent appraisal of all identifiable assets acquired in this transaction. However, up to the date of this interim financial report, the appraisal has not yet been finalised. Therefore the initial accounting for this transaction is still in progress and there are no information about the fair values of the identifiable assets acquired and the resulting goodwill to disclose in this interim report.

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 mainly comprise the following products 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 related projects

Energy equipment is mainly sold under the brand names "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 names "Ziemann Holvrieka" and "Briggs".

Revenue

With the rebound of international oil price since the second half of 2016 and favourable policies announced by the PRC Government, the demand for LNG equipment increased during the first half of 2017. Therefore, the Group's energy equipment segment recorded a surge in revenue in the period. The rise in demand for standard tank containers caused the chemical equipment segment to post an increase in revenue during the period, despite a slight decline in special tank containers' revenue. The liquid food equipment segment's revenue slightly increased during the period mainly due to inorganic growth brought on by the acquisition of Briggs Group Limited in June 2016. As a result, the revenue for the first half of 2017 rose by 23.8% to RMB4,626,306,000 (corresponding period in 2016: RMB3,737,502,000). The performance of each segment is discussed below:

During the first half of 2017, the energy equipment segment's revenue rose by 49.7% to RMB2,164,153,000 (corresponding period in 2016: RMB1,445,660,000) because of a rise in the demand for LNG equipment which was caused by a soar in demand for LNG powered heavy duty trucks in China as well as the favourable government policies aimed to boost natural gas consumption. The segment remains the top grossing segment and accounted for 46.8% of the Group's total revenue (corresponding period in 2016: 38.7%).

The chemical equipment segment's revenue increased by 9.3% to RMB1,363,939,000 (corresponding period in 2016: RMB1,248,365,000) due to an increase in the sales volume of standard tank containers which more than offset the slow down in demand for special tank containers during the period. The segment made up 29.5% of the Group's total revenue (corresponding period in 2016: 33.4%).

The liquid food equipment segment's revenue posted a moderate rise of 5.2% to RMB1,098,214,000 during the period (corresponding period in 2016: RMB1,043,477,000) mainly due to inorganic growth. The segment accounted for 23.7% of the Group's total revenue (corresponding period in 2016: 27.9%).

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell to 13.6% (corresponding period in 2016: 16.9%). The decline is mainly the result of market competition. As for the chemical equipment segment, its GP margin saw a slight increase from 16.0% in the same period last year to 17.5% during the period. This is attributable to the average selling price of standard tank containers increased faster than the unit cost during the period. The GP margin for liquid food equipment segment slightly declined to 19.6% during the period due to increased operating cost in project execution (corresponding period in 2016: 21.6%).

While the chemical equipment segment's GP margin rose, the fall of both energy and liquid food equipment segments' GP margins caused the Group's overall GP margin to decrease by 1.7 percentage points to 16.2% (corresponding period in 2016: 17.9%).

Profit from operations expressed as a percentage of revenue decreased by 2 percentage points to 6.4% (corresponding period in 2016: 8.4%) which is mainly attributable to the lower GP margin and the increase of selling expenses at a faster rate than revenue and other net income changed to other net expenses during the period.

The Restructuring Plan related to the acquisition of the entire equity interest in SinoPacific Offshore & Engineering Co., Ltd. ("**SOE**") has been approved by SOE's creditors at the creditors' meeting and subsequently approved by PRC Court under the relevant laws of PRC on 4 August 2017. Based on the repayment capability analysis provided by the receiver, the recoverable amount of the Financial Assistance as at 30 June 2017 is estimated to be approximately RMB190,521,000. Therefore, the Group made an additional provision for impairment of RMB105,549,000 during the period.

Income tax expenses for the Group rose by 11% to RMB71,280,000 for the period (corresponding period in 2016: RMB64,137,000) despite the decrease in profit from operations. This is mainly due to recognised tax expenses in relation to profits on construction contracts that were on going during the period.

Review by business segments

Energy equipment

Operational performance

During the first half of 2017, the energy equipment segment's revenue was RMB2,164,153,000 (corresponding period in 2016: RMB1,445,660,000). The segment's operating profit for the period fell to RMB9,649,000 (corresponding period in 2016: RMB24,749,000) which was mainly caused by a lower GP margin and selling expenses increased at a faster rate than revenue during the period.

Research and development

In the first half of 2017, the energy equipment segment commenced a number of R&D projects, involving the development of LNG marine cargo tank, LNG bimetallic full capacity tank, utilisation of cryogenic energy, intelligent automotive LNG supply system, and domestic production of key equipment of the LNG re-gasification module. The segment had strengthened the core technology reserves, and some of the new products will be launched in the second half of 2017 and contributes to the Group's revenue.

To meet the evolving needs of customers and enhance the Group's competitiveness, the segment was also focused on positioning in the oversea markets. In this connection, relevant R&D projects were launched during the first half of 2017, such as the LNG refueling station for the international market, engineering, procurement and construction ("EPC") project for large-volume LPG spherical tanks conforming to international standards, LNG marine fuel equipment and supply system development, and large-volume liquid gas carrier.

To facilitate healthy and sustainable development of the Group, the segment has been actively developing R&D projects in the new energy sector, such as biomass energy and equipment for the storage and transportation of hydrogen fuel energy.

In addition, the R&D team played an important role in the development of our EPC services, contributed to the development of different types of equipment for LNG, liquefied ethylene gas ("LEG"), CNG and LPG storage and transportation, as well as solutions for the integrated utilisation of LNG energy, and creating additional value to customers.

Future plans and strategies

In order to expedite the progress of natural gas utilisation and ensure effective treatment of air pollution, the NDRC issued a notice entitled "Opinion on Expediting the Progress of Natural Gas Utilisation (《加快推進天然氣利用的意見》)", following the promulgation of the "13th Five Year Plan for Energy Development" (《天然氣發展「十三五」規劃》) in 2016. The key task is to expedite the progress of utilisation of natural gas in the sectors of city/town gas supply, industrial fuel, gas-fired power generation and transportation, and to realise co-development of the upstream, midstream and downstream sectors of the industry.

The segment is committed to becoming one of the major energy equipment manufacturers in China's modern clean energy sector. The segment's competitive advantage rests on its superior qualifications relevant to the industry, reputation, track records, sales and marketing team, R&D capability and unique products and services.

Based on the customer-oriented approach, the segment has been engaged in the R&D of new products, technologies and materials, as well as multi-dimensional reforms towards smart products, tailored services and data-based operational management through internal upgrades. Moreover, all overseas businesses of the segment have been placed under centralised management, facilitating effective integration of resources and swift response to market requirements, which will enhance our brand reputation.

In addition to the manufacturing of energy equipment, the segment has also been committed to the exploration of new businesses and active efforts have been made to extend to pioneering technologies and new service models and to identify business opportunities in hydrogen energy, distributed power generation, EPC system solutions and operating lease. In the meantime, the segment has also proactively expanded to markets such as natural gas marine applications, maritime transport and floating LNG facilities through the recent acquisition of SOE and establishment of a subsidiary in Singapore in 2016.

Furthermore, the segment will continue to guide the industry associations in the China market to drive the development and upgrade of industry standards, striving to introduce new business models for the benefit of the long-term development of the segment's equipment and project engineering businesses.

Chemical equipment

Operational performance

During the first half of 2017, the chemical equipment segment's revenue was RMB1,363,939,000 (corresponding period in 2016: RMB1,248,365,000). The segment's operating profit for the period rise to RMB216,885,000 (corresponding period in 2016: RMB172,319,000) which was mainly due to the increase in revenue and decreased expenses during the period.

Research and development

The chemical equipment segment is committed to the provision of new logistics solutions to customers and the R&D of different types of tank containers to meet customer needs. During the first half of 2017, the segment successfully developed ultra-light structure swap body tank containers and a new type of powder tank containers, as it continued to lead the industry in tank container technology.

The segment has also focused on the development and application of new tank materials, in order to promote the use of tank containers in response to the enormous demand from the chemical logistics industry for transportation of special chemical agents. Through the development and application of technologies in the Internet of Things ("IOT"), the segment also provides total solutions for the full life cycle of tank container products for the chemical logistics industry.

To facilitate the launch of a wider variety of special and high-end tank containers in the markets, the segment is particularly concerned with the R&D of special tank containers for rail transportation in China and Europe, to meet the market demand for large-quantity, large-volume and low-cost transportation.

Future plans and strategies

The relevant Chinese government authorities have been introducing policies for the encouragement of intermodal transportation, calling for the construction of logistics infrastructures, launch of exemplary projects in intermodal transportation and construction of intermodal transportation hubs. These initiatives are set to enhance the penetration of tank containers in China's logistics industry.

During the first half of 2017, market demand grew at a slow pace. The Company's tank container business reported outstanding performance amidst intense market competition, as excellent results were achieved for standard tank containers, gas tank containers, LNG tank containers and rail tank containers. Leveraging its advanced R&D capability and extensive experience in the industry, the segment is committed to the provision of one-stop storage and transportation solutions and services for gas, liquid and powder.

On top of consolidating its leading position in the market for standard tank containers, the chemical equipment segment will continue to increase investments in the R&D of new products and special products, enhance interaction with customers and launch ongoing brand-building initiatives, so as to strengthen the general competitiveness of its businesses by fostering competitive edge in differentiation. To enhance customer satisfaction, the segment has enhanced after-sales services at its service outlets in Europe. It is also in the process of developing sustainable after-sales servicing capabilities and networks. While fortifying its equipment manufacturing business, the segment has also been actively engaged in experimental developments of smart products, aiming to help customers improve efficiency and explore the experience of digitalised operations with the aid of Internet and information technologies.

Liquid food equipment

Operational performance

During the first half of 2017, the liquid food equipment segment's revenue was RMB1,098,214,000 (corresponding period in 2016: RMB1,043,477,000). The segment's operating profit for the period decreased to RMB105,747,000 (corresponding period in 2016: RMB142,443,000) which was due to lower GP margin and increased expenses.

Research and development

In 2017, the liquid food segment continued to launch Nessie with ongoing improvements. Nessie changes the mash filtration process in the brewing sector, resulting in shorter process time, increased raw material yields and lower production costs. As an emerging form of brewing process, this completely new system has given rise to a series of new products with unique features, which will be launched in the near future. with Ziemann's advanced brewing equipment technology and lower production costs in China, the segment has been committed to developing brewery systems tailor-made for the China market.

The segment has also conducted R&D projects and developed 3-A Sanitary Standard bag filters for the milk powder industry featuring internationally advanced technology. Progress has also been made in the R&D of craft beer equipment, and containerised craft beer equipment will be launched in the near future.

The segment has consolidated Briggs' advanced liquor distillation technology which can facilitate significant reduction in energy consumption, and such advanced technology is ready to be launched in the China market.

The segment has also actively participated in and led industry technology seminars, and maintained a leading position in the industry.

Future plans and strategies

As result of the integration of Ziemann and Briggs, the liquid food equipment segment has become a provider of integrated turnkey solutions to beer, spirits, and other liquid food producers as well as pharmaceutical companies. The segment constantly reviews and develops its strategy, to gain opportunities in which it can excel and enhance its business position. For vertical diversification, the segment continues to enhance its capabilities to offer turnkey solutions for brewing and strives to develop and deliver such services and products to our customers. For horizontal diversification, the segment strives to proactively develop businesses for other liquid food industries apart from beer, such as juice storage, transportation and dairy product processing.

The Group has operations in China and Europe, and through the integration of Ziemann Holvrieka Asia ("**ZHA**"), the liquid food equipment segment has expanded its production capacity in China and its marketing network in Asia. This facilitates the segment's development plans in South-east Asia and other countries in the world. 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. Moreover, the Briggs brands, technologies and products will be introduced in the Asian markets in future.

Meanwhile, the segment will explore more business opportunities and revenue sources in American regions and emerging markets.

The acquisition of Briggs Group Limited, with headquarters located in the UK, strengthened the segment's process capabilities with extensive process design knowledge in breweries, pharmaceutical and distilleries. Integration of Briggs is an ongoing process and has proven successfully, already resulting in projects with an extended scope.

In addition, the segment will continue to enhance the branding of "Ziemann Holvrieka". Under the objective of a unified corporate image, the segment will continue to implement marketing strategies to improve the market positioning as well as increase brand awareness and customer intimacy.

Financial Review

Liquidity and financial resources

At 30 June 2017, the cash and cash equivalents of the Group amounted to RMB2,561,170,000 (31 December 2016: RMB2,916,900,000). A portion of the Group's bank deposits totalling RMB254,456,000 (31 December 2016: RMB263,640,000), which had more than three months of maturity at acquisition. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from a related party 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 2017, the Group's bank loans and overdrafts amounted to RMB1,557,855,000 (31 December 2016: RMB1,598,994,000), other than syndicated bank loan and term loan with tenors of 3 years for business development and working capital, the remaining is repayable within one year. Apart from the syndicated bank loan denominated in USD and the term loan denominated in USD and HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 2.96% to 4.35% per annum. At 30 June 2017, the Group did not have secured bank loan (31 December 2016: Nil). As of 30 June 2017, bank loans amounting to RMB1,557,855,000 (31 December 2016: RMB1,598,994,000) were guaranteed by the Company's subsidiaries. As at 30 June 2017, loans from a related party amounted to RMB460,000,000 (31 December 2016: RMB875,000,000), which are unsecured, interest bearing from 4.35% to 4.50% (31 December 2016: 4.35% to 4.65%) 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 2016: zero times) as the Group retained a net cash balance of RMB797,771,000 (31 December 2016: RMB706,546,000). The increase in net cash balance is mainly attributable to considerable amount of down payments for new projects during the period. The Group's interest coverage was 7.1 times for the period (corresponding period in 2016: 8.1 times) which represents a decline that is mainly due to an increment in average bank borrowings over the same period in 2017. Certainly, the Group's profit from operation and healthy 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 RMB147,442,000 (corresponding period in 2016: RMB700,379,000). The Group drew bank loans and loans from a related party totalling RMB357,000,000 (corresponding period in 2016: RMB1,378,235,000) and repaid RMB779,864,000 (corresponding period in 2016: RMB715,223,000). In addition, cash proceeds amounted to RMB4,507,000 arose from the issuance of ordinary shares on exercise of share options.

Assets and liabilities

At 30 June 2017, total assets of the Group amounted to RMB13,289,079,000 (31 December 2016: RMB12,888,423,000) while total liabilities were RMB7,838,467,000 (31 December 2016: RMB7,586,358,000). The net asset value increased by 2.8% to RMB5,450,612,000 (31 December 2016: RMB5,302,065,000). It was mainly attributable to profit from operation of RMB296,217,000, exchange difference on translation of financial statements denominated in foreign currencies of RMB57,847,000, which partly offsetting by impairment provision made for SOE of RMB105,549,000 for the period. As a result, the net asset value per share increased to RMB2.812 at 30 June 2017 from RMB2.737 at 31 December 2016.

Contingent liabilities

At 30 June 2017, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB695,197,000, of which balance of performance and quality guarantees was RMB338,541,000 in aggregate and balance of advance payment guarantees was RMB356,656,000. As at the date of this report, bank guarantees of RMB157,354,000 have been released. 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 2017, the Group had contracted but not provided for capital commitments of RMB34,433,000 (31 December 2016: RMB28,779,000). As of 30 June 2017, the Group did not have authorised but not contracted for capital commitments (31 December 2016: 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 2017, the Group invested RMB58,865,000 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 RMB35,247,000, RMB19,273,000 and RMB4,235,000 respectively in capital expenditure during the period.

Employees and remuneration policies

At 30 June 2017, the total number of employees of the Group was approximately 9,000 (corresponding period in 2016: approximately 8,850). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB693,291,000 (corresponding period in 2016: RMB619,112,000).

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 2016.

Prospects

The global economy continued to show improvements during the first half of 2017. Developed economies enjoyed stable recovery in general, with improved sentiments in the USA, Eurozone and Japan, while China and India continued to lead the way in the growth among the emerging economies. However, economic recovery remained imbalanced globally and strong structural growth has yet to be seen. The global economy will continue to face uncertainties arising from elections in a number of European countries, geopolitics, U.S. Federal Reserve rate hikes and debts of the emerging markets, and downside pressure will persist in the second half of the year. According to the estimates of the International Monetary Fund, gross domestic product (GDP) on a global basis will increase by 3.5% in 2017 in accelerated growth compared to 2016.

Figures announced by the National Bureau of Statistics of China indicated that the country reaped a 6.9% GDP growth for the first six months of 2017, which was higher than the growth target previously set by the government. Looking forward, the economic landscape will remain complicated as the Chinese economy enters the "New Normal" phase while regional trade protectionism is growing around the world. Nevertheless, the globalisation trend is hardly reversible, while China's further reforms and "Belt and Road" Initiative have come into force. The move towards low-carbon living will continue to drive the demand for equipment and engineering services relating to clean energy and green logistics. The continuous emergence of new technologies, markets and business models will present new opportunities for the Group.

In order to seize opportunities in tandem with macro-economic developments, the Group will reinforce its prudent operation and optimisation of its existing business, so as to strengthen its core business. In the future, we will pursue the central objective of seeking "quality development" with a resolute commitment to our core business of "equipment manufacturing + project engineering services + integrated solutions" as the main development path. We will enhance our operating standards through globalisation and specialisation and drive the development of new businesses through innovation, in order to sustain the momentum and quality of growth.

First of all, the Group strives to promote the modernisation of equipment and project engineering in the energy, chemical and liquid food industries. Currently, we have developed the ability for large-scale industrial equipment, standardised and scale production and EPC capability for large-scale energy and chemical projects, with solid foundation in supply-chain management, cost management, production operation and process innovation for the manufacturing sector. Moreover, in line with trends in global manufacturing, the Company will move towards integrated solutions in a market-oriented and customer-oriented approach on the back of product manufacturing and project engineering services, with a view to driving the development of its existing business. In addition, we will enhance our innovation mechanism, and will focus on natural gas maritime transportation, oil and gas modules, natural gas distributed power generation and LNG tank container intermodal transportation. The Group will continue to grow through new businesses, new technologies and innovative business models.

Energy equipment

The prospects of petroleum-related industries are declining under the global trend of low-carbon and clean energy, although new energies have yet to grow into major energy sources. In contrast, natural gas is enjoying broader prospects for development on a global scale, especially in China, where environmental protection and smog treatment have become priority tasks. The market-oriented reform of the natural gas sector will also promote the development of natural gas as a clean energy. Since the fourth quarter of 2016, the Chinese government has promulgated a series of policies favouring the development of natural gas, including the "13th Five Year Plan for Natural Gas Development", "Certain Opinions on Further Reforms of the Petroleum and Natural Gas Regime" (《關於深化石油天然氣體制改革的若干意見》) and "Opinion on Expediting the Progress of Natural Gas Utilisation". Such documents have established the goal of developing natural gas into one of China's main energy sources and called for the implementation of important tasks including the promotion of natural gas utilisation in general, progress of natural gas pricing reforms and upgrade of financial support. Such policies will provide a significant driving force for the development of China's natural gas sector in the future.

According to figures released by the National Energy Administration, China's natural gas consumption for the first half of 2017 amounted to approximately 114 billion cubic metres, representing a year-on-year growth of approximately 11.7%, the first double-digit growth recorded in two years. Given the environmental benefits of natural gas versus other fossil fuels and the supportive policies of the Chinese government, the Group remains confident in the long-term prospects of the natural gas industry in China. Driven by the substantial increase in the sales of natural gas-powered heavy trucks in China, the Company reported notable growth in LNG equipment orders and results for the first half of 2017.

According to the "Opinion on Expediting the Progress of Natural Gas Utilisation" jointly issued by the National Development and Reform Commission ("**NDRC**") and 12 other government authorities in June 2017, the consumption of natural gas as a percentage of primary energy consumption will increase to approximately 10% by 2020, hence the natural gas industry expects immense growth potential in the future. With the widening price gap between oil and gas following the recent rebound in oil prices, the economic benefit of natural gas has become more evident, and such developments have also stimulated the demand from midstream and downstream industries. Moreover, the "Implementation Scheme on Air Pollution Mitigation for Beijing, Tianjin and Neighbouring Areas 2017" (《京津冀及周邊地區2017年大氣污染防治工作方案》) jointly issued by the NDRC and other provincial and municipal authorities in March 2017 has stipulated measures for coal-to-gas heater and oil-to-gas vehicle conversions. Investments in related infrastructures and equipment are expected to drive the demand for products and services of the energy equipment segment.

Douglas-Westwood projects global capital expenditure on floating LNG facilities to reach a total of USD41.6 billion for 2017 to 2022, compared with USD11.4 billion for 2011 to 2015; therefore apart from carrying out marketing strategies in the China market, the energy equipment segment will look for more growth opportunities in overseas markets.

After years of development, the Group now possesses integrated capabilities in design, engineering, equipment consolidation and equipment application covering upstream, midstream and downstream sectors in clean energy and has developed a business network covering the entire natural gas value chain. With the stable growth of its core business of natural gas equipment and project engineering, the Group will closely monitor development opportunities in the natural gas industry. We will actively explore businesses in natural gas maritime transportation and oil and gas modules, while developing natural gas-based clean energy fuel storage and transportation as well as natural gas distributed power generation. We will also vigorously explore businesses along the clean energy value chain.

In tandem with the ongoing development and expansion of the natural gas industry, the Company's energy equipment business should see stable growth.

Chemical equipment

In the past few years, lessors in the global market have invested heavily in chemical tank containers, resulting in record-high demands for the product. Growth in the demand for tank containers attributed to both organic growth and replacement orders. While the actual quantity might vary from year to year, the overall demand generally remains stable. In the long run, as the global economy gradually stabilises and emerging markets continue to develop, the global chemical industry is expected to sustain a stable growth over the longer term. As such, tank containers will enjoy an increasingly distinctive advantage over other forms of logistics.

Currently, the markets of developed countries in Europe and the USA have completed the transition to a stage of stable growth, while the demand for tank containers in emerging markets will experience gradual growth due to the replacement and upgrade of traditional transportation modes for local chemical sectors and increasing concern for safe, efficient and eco-friendly transportation of hazardous goods. These will drive the sustained growth of the global tank container market. All in all, with the rise in inter-regional trade of chemicals in the international market driving the gradual recovery of global investments in chemical products, the green logistics mode with higher level of security, cost-effectiveness, eco-friendliness and smart applications will become the new market trend. Moreover, as the number of new chemicals and derivatives continue to emerge in line with developments in the chemical industry, the market for special tank containers is expected to post significant growth.

The Group will actively promote the general application of safer and more efficient equipment and technologies for the storage and transportation of hazardous chemicals in order to consolidate its leading position in the global market, as well as develop new, IOT-based transportation modes for tank containers to improve its after sales capabilities for the full life cycle of the product. To reinforce its leading position in the tank container market, the segment will introduce innovative manufacturing technologies, adopt cost management measures and optimise its production methods so as to improve its production efficiency and bolster its competitiveness. Elsewhere, the segment will further develop its business in after-sales services, such as tank container depot, tank container repair and maintenance, etc. Meanwhile, the business of "IOT + tank containers" will also be pursued with the launch of a centralised platform for monitoring, managing and servicing throughout the full life cycle of the tank containers, aiming to provide better services and solutions for the operation and management of our customers' tank containers.

Liquid food equipment

Global beer consumption had fallen into negative growth since 2014 in line with lacklustre retail spending amidst the slowdown in macro-economic growth. Nevertheless, after three years of decline in the volume of beer production and industry corrections, China's brewery sector started to pick up and revert to structural growth in 2017. Given ongoing population growth and rising living standards, the global liquid food equipment market is expected to enjoy stable growth with an estimated annual average growth rate slightly higher than the global GDP growth rate, with Asia, Latin America and Africa accounting for the majority of such growth. Moreover, with improved living standards and higher health awareness, there will be an increasing demand for safe and healthy food, including liquid food such as dairy products and fruit juice. As a result, the Group's liquid food equipment business will see more opportunities for expansion.

Through the renowned brands of "Ziemann Holvrieka" and "Briggs", the Group possesses competitive strengths derived from world-leading capabilities in the manufacturing and project engineering of beer saccharification and brewery equipment, proven business results and global brand influence. Meanwhile, the diverse geographic locations of production facilities in Europe and China has afforded a solid ability in general coordination over global production, procurement, operation and regional marketing.

In the future, the business segment will expand globally and diversify to equipment and project engineering for the manufacturing of food items other than beer, following a two-dimensional approach covering vertically the beer production chain and horizontally liquid food businesses, leveraging its core technologies and strengths in EPC contracting. In 2016, the acquisition of Briggs Group Limited, with headquarters located in the U.K., has enabled the business segment to tap into distillation, fermentation and pharmaceutical manufacturing sectors on a global basis, as well as to provide process design and turnkey project engineering services for certain sub-sectors. Hence, the segment will actively explore business development in these new sectors in the future, striving to generate more opportunities for revenue and profit growth.

Subsequent Events After Reporting Period

Acquisition of Sinopacific Offshore & Engineering Co., Ltd.

On 5 July 2017, the Group, SOE and the receiver entered into restructuring investment agreement, in relation to the acquisition of the entire equity interest in SOE for a consideration of RMB799,800,000 (the "**Acquisition**"). The restructuring plan related to the Acquisition has been approved by the SOE's creditors at the creditor' meeting and subsequently approved by the PRC court under relevant laws of PRC on 4 August 2017. On 15 August 2017, SOE has become an indirect wholly-owned subsidiary of the Company pursuant to both the restructuring investment agreement and the restructuring plan and the name of SOE has been changed to "南通中集太平洋海洋工程有限公司" (Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd.*). Further details were disclosed in the announcements of the Company dated 5 July 2017, 4 August 2017 and 16 August 2017 respectively.

As a result, an additional provision for impairment of RMB105,549,000 was made based on the repayment capability analysis provided by the receiver for the six months ended 30 June 2017.

Supplementary Information

Directors' Interests in Shares

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Interests in underlying shares pursuant to share options	% of issued share capital *(Note)*
Gao Xiang	Beneficial owner	1,900,000	0.10%
Liu Chunfeng	Beneficial owner	800,000	0.04%
Jin Jianlong	Beneficial owner	1,400,000	0.07%
Yu Yuqun	Beneficial owner	1,298,000	0.07%
Jin Yongsheng	Beneficial owner	1,100,000	0.06%
Wong Chun Ho	Beneficial owner	1,100,000	0.06%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2017, which was 1,938,514,088.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009, 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006 (the "**Scheme**"). Details of which were set out under the section headed "Share Options" on pages 43 to 44.

Long positions in the shares/underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group")	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,350,000	0.61% *(Note 2)*
	Liu Chunfeng	Beneficiary of a trust *(Note 1)*	1,000,000	0.45% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,350,000	1.06% *(Note 2)*
China International Marine Containers (Group) Co., Ltd. ("CIMC") (A Shares)	Gao Xiang	Beneficial owner *(Note 3)*	375,000	0.03% *(Note 4)*
	Liu Chunfeng	Beneficial owner *(Note 3)*	177,400	0.01% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	640,000	0.05% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	750,000	0.06% *(Note 4)*
CIMC (H Shares)	Liu Chunfeng	Beneficial owner	10,200	0.01% *(Note 5)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 15.83% equity interest in CIMC Vehicle Group. Mr. Gao, Mr. Liu, being Executive Directors, Mr. Jin and Mr. Yu, being Non-executive Directors, are participants in the Stock Credit Plan. CIMC Vehicle Group is controlled by CIMC as to 63.33%.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2017, which was 220,700,000.

3. Mr. Gao, Mr. Liu, Mr. Jin and Mr. Yu were granted stock options (A Shares) by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB10.55 per share, and 75% of which are exercisable between 28 September 2014 and 27 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 30 June 2017, which was 1,263,776,177.

5. The percentage is calculated based on the total number of share capital of CIMC (H Shares) in issue as at 30 June 2017, which was 1,716,576,609.

Save as disclosed above, as at 30 June 2017, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 30 June 2017, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2017, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	**Capacity**	**Number of shares held**	**% of issued share capital** *(Note 1)*
CIMC	Interest of controlled corporation	1,371,016,211 *(Note 2)*	70.73%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 *(Note 3)*	9.84%
	Interest of controlled corporation	39,740,566 *(Note 4)*	2.05%
	Beneficial owner	1,140,572,645	58.84%
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 *(Note 3)*	9.84%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2017, which was 1,938,514,088.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 1,140,572,645 ordinary shares held by CIMC HK and 39,740,566 ordinary shares held by CIMC Tank Equipment Investment Holdings Company Limited ("CIMC Tank Equipment"). Charm Wise, CIMC HK and CIMC Tank Equipment are wholly-owned subsidiaries of CIMC.

3. The two references to 190,703,000 ordinary shares refer to the same block of shares held by Charm Wise, which is a wholly-owned subsidiary of CIMC HK.

4. These ordinary shares are held by CIMC Tank Equipment, a wholly-owned subsidiary of CIMC HK.

Save as disclosed above, as at 30 June 2017, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company adopted the Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group. Details of the terms thereof are set out in the Annual Report 2016.

As at 30 June 2017, share options were granted and accepted by the respective participants under the Scheme to subscribe for a total of 120,370,000 ordinary shares of HK$0.01 each in the capital of the Company. During the six months ended 30 June 2017, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2017	granted during the period	exercised during the period	lapsed during the period	transferred to/from other category	outstanding at 30 June 2017
Directors								
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	–	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Liu Chunfeng	11/11/2009	11/11/2010–10/11/2019	–	–	–	–	–	–
	28/10/2011	28/10/2013–27/10/2021	400,000	–	–	–	–	400,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Jin Jianlong	11/11/2009	11/11/2010–10/11/2019	800,000	–	–	–	–	800,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010–10/11/2019	698,000	–	–	–	–	698,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010–10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Wong Chun Ho	11/11/2009	11/11/2010–10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			8,798,000	–	–	–	–	8,798,000
Employees	11/11/2009	11/11/2010–10/11/2019	8,586,000	–	(220,000)	–	–	8,366,000
	28/10/2011	28/10/2013–27/10/2021	23,010,000	–	(866,000)	–	–	22,144,000
	05/06/2014	05/06/2016–04/06/2024	29,954,000	–	–	(294,000)	–	29,660,000
Other participants	11/11/2009	11/11/2010–10/11/2019	7,292,000	–	(400,000)	–	–	6,892,000
	28/10/2011	28/10/2013–27/10/2021	1,882,000	–	(190,000)	–	–	1,692,000
	05/06/2014	05/06/2016–04/06/2024	4,050,000	–	–	–	–	4,050,000
Total			83,572,000	–	(1,676,000)	(294,000)	–	81,602,000

Notes:

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

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

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

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

3. Regarding the share options granted on 5 June 2014:

   Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per share.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2017 was approximately HKD4.83 per share.

At the annual general meeting of the Company held on 20 May 2016, an ordinary resolution was passed for the adoption of a new share option scheme (the "**New Scheme**") and the termination of the Scheme. Upon termination of the Scheme, no further option may be granted under the Scheme, but in all other respects the provisions of the Scheme remain in full force and effect and options granted prior to such termination continue to be valid and exercisable in accordance with the provisions of the Scheme.

No options have been granted under the New Scheme since its adoption.

As at the date of this report, a total of 193,660,608 number of options, representing 10.00% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total of 275,262,608 shares, representing 14.20% of the issued ordinary share capital of the Company, are available for issue under the Scheme and the New Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the six months ended 30 June 2017.

Corporate Governance

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

The latest corporate governance report of the Company is set out in the Annual Report 2016.

Audit Committee and Other Board Committees

The Audit Committee comprises three Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the Group's financial reporting procedures, risk management and internal control systems. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2017.

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

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

Biographical Details of Directors

The changes in the biographical details of Directors since the publication of the Annual Report 2016 and up to the date of this report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Jin Jianlong, a Non-executive Director, was re-designated from general manager of the financial management department to the senior consultant of CIMC.

Mr. Jin Yongsheng, a Non-executive Director, has resigned as a non-executive director of ENN Energy Holdings Limited (shares of which are listed on the Main Board of the Stock Exchange) on 21 March 2017.

Mr. Tsui Kei Pang, an Independent Non-executive Director, has resigned as an independent non-executive director of China Huishan Dairy Holdings Company Limited (shares of which are listed on the Main Board of the Stock Exchange) on 31 March 2017.

Save as disclosed above, the further biographical details of Directors can be referred to the Annual Report 2016.

Purchase, Sale or Redemption of Listed Securities

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

Directors

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

By order of the Board
Gao Xiang
Chairman

Hong Kong, 22 August 2017

CIMC ENRIC

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