CIMC ENRIC

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

(Incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立之有限公司）

Stock Code 股份代號：3899

2012
Interim Report
中期報告

Contents

Financial Highlights

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000 (Restated)	+/–
FINANCIAL POSITION			
Total assets	**7,040,697**	6,777,052	+3.9%
Net assets	**3,639,748**	3,430,740	+6.1%
Net current assets	**2,142,679**	2,088,412	+2.6%
Cash balances	**885,760**	1,082,020	-18.1%
Bank loans and overdrafts	**637,306**	515,707	+23.6%
Gearing ratio[1]	**17.5%**	15.0%	+2.5 ppt

	For six months ended 30 June		
	2012 RMB'000	2011 RMB'000 (Restated)	+/–
OPERATING RESULTS			
Turnover	**3,829,173**	3,105,559	+23.3%
Gross profit	**728,962**	566,811	+28.6%
EBITDA	**528,496**	394,827	+33.9%
Profits from operations	**460,138**	335,614	+37.1%
Profit attributable to equity shareholders	**372,557**	253,355	+47.0%
PER SHARE DATA			
Earnings per share – basic	**RMB0.199**	RMB0.135	+47.4%
Earnings per share – diluted	**RMB0.197**	RMB0.135	+45.9%
Net asset value per share	**RMB1.943**	RMB1.673	+16.1%
KEY STATISTICS			
GP ratio	**19.0%**	18.3%	+0.7 ppt
EBITDA margin	**13.8%**	12.7%	+1.1 ppt
Operating profit margin	**12.0%**	10.8%	+1.2 ppt
Net profit margin[2]	**9.7%**	8.2%	+1.5 ppt
Return on equity[3]	**10.2%**	8.1%	+2.1 ppt
Interest coverage – times	**68.8**	33.6	+35.2
Inventory turnover days	**123**	112	+11
Debtor turnover days	**65**	61	+4
Creditor turnover days	**74**	74	0

Notes:

1 Gearing ratio = Bank loans and overdrafts/Total equity

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

3 Return on equity = Profit attributable to equity shareholders/Total 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 29 which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related consolidated income statement, statement of comprehensive income, 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, 20 August 2012

Consolidated Income Statement

For the six months ended 30 June 2012 – unaudited

		Six months ended 30 June	
	Note	**2012 RMB'000**	2011 RMB'000 (restated)
Turnover	*6*	**3,829,173**	3,105,559
Cost of sales		**(3,100,211)**	(2,538,748)
Gross profit		**728,962**	566,811
Change in fair value of derivative financial instruments		**(2,658)**	(3,545)
Other revenue	*7*	**66,882**	51,782
Other net income/(expenses)	*7*	**1,169**	(265)
Selling expenses		**(99,356)**	(91,194)
Administrative expenses		**(234,861)**	(187,975)
Profit from operations		**460,138**	335,614
Finance costs	*8*	**(2,999)**	(7,460)
Profit before taxation	*8*	**457,139**	328,154
Income tax	*9*	**(80,955)**	(70,149)
Profit for the period		**376,184**	258,005
Attributable to:			
Equity shareholders of the Company		**372,557**	253,355
Non-controlling interests		**3,627**	4,650
Profit for the period		**376,184**	258,005
Earnings per share	*10*		
Basic		**RMB0.199**	RMB0.135
Diluted		**RMB0.197**	RMB0.135

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – unaudited

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Profit for the period	**376,184**	258,005
Other comprehensive income for the period		
Exchange difference on translation of financial statements denominated in foreign currency	**10,377**	28,259
Total comprehensive income for the period	**386,561**	286,264
Attributable to:		
Equity shareholders of the Company	**382,934**	281,614
Non-controlling interests	**3,627**	4,650
Total comprehensive income for the period	**386,561**	286,264

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

Consolidated Balance Sheet

As at 30 June 2012 – unaudited

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	*11*	**1,087,558**	1,019,898
Construction in progress		**377,547**	274,773
Lease prepayments		**332,188**	277,066
Intangible assets		**58,385**	33,593
Prepayments		**–**	118,138
Goodwill		**127,134**	42,783
Deferred tax assets		**42,625**	39,369
Other financial assets		**59**	59
		2,025,496	1,805,679
Current assets			
Derivative financial instruments		**383**	3,042
Inventories	*12*	**2,133,685**	2,077,553
Trade and bills receivable	*13*	**1,415,396**	1,355,952
Deposits, other receivables and prepayments		**541,630**	434,779
Amounts due from related parties	*21(b)*	**38,347**	18,027
Cash at bank and in hand	*14*	**885,760**	1,082,020
		5,015,201	4,971,373
Current liabilities			
Bank loans and overdrafts	*15*	**420,819**	321,139
Trade and bills payable	*16*	**1,217,333**	1,311,622
Other payables and accrued expenses		**1,094,498**	1,146,514
Income tax payable		**27,023**	19,804
Amounts due to related parties	*21(b)*	**97,327**	63,466
Provisions		**15,425**	20,355
Employee benefit liabilities		**97**	61
		2,872,522	2,882,961
Net current assets		**2,142,679**	2,088,412
Total assets less current liabilities		**4,168,175**	3,894,091

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Non-current liabilities			
Provisions		**41,275**	29,952
Deferred income		**159,411**	138,132
Employee benefit liabilities		**1,448**	1,602
Deferred tax liabilities		**109,806**	99,097
Bank loans	*15*	**216,487**	194,568
		528,427	463,351
NET ASSETS		**3,639,748**	3,430,740
CAPITAL AND RESERVES			
Share capital		**17,235**	17,235
Reserves	*18*	**3,598,673**	3,393,292
Equity attributable to equity shareholders of the Company		**3,615,908**	3,410,527
Non-controlling interests		**23,840**	20,213
TOTAL EQUITY		**3,639,748**	3,430,740

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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – unaudited

	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000 (Note 18(b))	Capital reserve RMB'000 (Note 18(c))	Exchange reserve RMB'000	General reserve fund RMB'000 (Note 18(d))	Retained profits RMB'000	Total RMB'000		
At 1 January 2011 (restated)	17,235	287,517	838,669	46,518	(197,115)	88,099	1,745,346	2,826,269	14,838	2,841,107
Change in equity for the six months ended 30 June 2011:										
Total comprehensive income for the period	–	–	–	–	28,259	–	253,355	281,614	4,650	286,264
Transactions with equity shareholders in their capacity as equity shareholders:										
Equity-settled share-based transactions	–	–	–	6,672	–	–	–	6,672	–	6,672
Transfer to general reserve	–	–	–	–	–	18,874	(18,874)	–	–	–
At 30 June 2011 (restated)	17,235	287,517	838,669	53,190	(168,856)	106,973	1,979,827	3,114,555	19,488	3,134,043
At 1 January 2012 (restated)	**17,235**	**287,517**	**877,152**	**60,198**	**(235,084)**	**157,149**	**2,246,360**	**3,410,527**	**20,213**	**3,430,740**
Change in equity for the six months ended 30 June 2012:										
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**10,377**	**-**	**372,557**	**382,934**	**3,627**	**386,561**
Transactions with equity shareholders in their capacity as equity shareholders:										
Equity-settled share-based transactions	**-**	**-**	**-**	**5,658**	**-**	**-**	**-**	**5,658**	**-**	**5,658**
Transfer to general reserve	**-**	**-**	**-**	**-**	**-**	**40,011**	**(40,011)**	**-**	**-**	**-**
2011 final dividend paid	**-**	**(116,881)**	**-**	**-**	**-**	**-**	**-**	**(116,881)**	**-**	**(116,881)**
Distribution to previous shareholders of Nantong Transport under common control combination	**-**	**-**	**(66,330)**	**-**	**-**	**-**	**-**	**(66,330)**	**-**	**(66,330)**
At 30 June 2012	**17,235**	**170,636**	**810,822**	**65,856**	**(224,707)**	**197,160**	**2,578,906**	**3,615,908**	**23,840**	**3,639,748**

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 – unaudited

		Six months ended 30 June	
	Note	**2012** **RMB'000**	2011 RMB'000 (restated)
Cash generated from/(used in) operations		**128,916**	(93,249)
Tax paid		**(74,521)**	(64,729)
Net cash generated from/(used in) operating activities		**54,395**	(157,978)
Net cash used in investing activities		**(245,386)**	(177,947)
Net cash generated from financing activities		**747**	355,871
Net (decrease)/increase in cash and cash equivalents		**(190,244)**	19,946
Cash and cash equivalents at 1 January	*14*	**992,130**	811,874
Effect of foreign exchange rate changes		**19,087**	20,685
Cash and cash equivalents at 30 June	*14*	**820,973**	852,505

The notes on pages 10 to 29 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") is principally engaged in the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the energy, chemical and liquid food industries.

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

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

This consolidated interim financial report was approved for issue on 20 August 2012.

This consolidated interim financial report has not been audited.

2. Basis of preparation

(a) Statement of compliance

This interim financial report for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(b) Common control combination of Nantong Transport

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

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

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

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the condensed consolidated financial report are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the period in which they are incurred.

Reconciliation of the results of operations for the six months ended 30 June 2011 and as at year ended 31 December 2011 previously reported by the Group and the restated amounts presented in the interim financial report are set out below:

	For the six months ended 30 June 2011 (Restated)				**For the six months ended 30 June 2012**
	The Group RMB'000 (as previously reported)	Nantong Transport RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	**The Group RMB'000**
Results of operations					
Revenue	3,067,870	41,901	(4,212)	3,105,559	3,829,173
Profit from operations	333,770	1,844	–	335,614	460,138
Profit for the period	257,075	930	–	258,005	376,184
Profit for the period attributable to equity shareholders of the Company	252,425	930	–	253,355	372,557

	As at 31 December 2011 (Restated)				As at 30 June 2012
	The Group RMB'000 (as previously reported)	Nantong Transport RMB'000	Elimination RMB'000	The Group RMB'000 (restated)	**The Group RMB'000**
Financial position					
Current assets	4,895,412	83,973	(8,012)	4,971,373	5,015,201
Total assets	6,655,018	130,046	(8,012)	6,777,052	7,040,697
Current liabilities	2,830,322	60,651	(8,012)	2,882,961	2,872,522
Total liabilities	3,293,673	60,651	(8,012)	3,346,312	3,400,949
Equity attributable to equity shareholders of the Company	3,341,132	69,395	–	3,410,527	3,615,908

3. Accounting policies

(a) The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011 as described in those annual financial statements.

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

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	Government loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012

		Effective for accounting periods beginning on or after
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

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

4. 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 2011.

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. The operating segments with similar economic characteristics have been aggregated to form the following reportable segments.

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

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

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

	Energy equipment Six months ended 30 June		Chemical equipment Six months ended 30 June		Liquid food equipment Six months ended 30 June		Total Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)	**2012 RMB'000**	2011 RMB'000 (restated)
Revenue from external customers	**1,999,792**	1,516,425	**1,430,445**	1,296,821	**398,936**	292,313	**3,829,173**	3,105,559
Inter-segment revenue	**178**	–	**–**	92	**–**	–	**178**	92
Reportable segment revenue	**1,999,970**	1,516,425	**1,430,445**	1,296,913	**398,936**	292,313	**3,829,351**	3,105,651
Reportable segment profit (adjusted profit from operations)	**276,290**	239,873	**196,802**	116,050	**18,334**	4,625	**491,426**	360,548

	Energy equipment		Chemical equipment		Liquid food equipment		Total	
	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated)	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated)	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated)
Reportable segment assets	**4,408,551**	3,861,415	**1,819,435**	1,928,647	**634,149**	609,964	**6,862,135**	6,400,026
Reportable segment liabilities	**1,883,767**	1,875,321	**896,831**	933,826	**172,742**	143,361	**2,953,340**	2,952,508

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
Revenue		
Reportable segment revenue	**3,829,351**	3,105,651
Elimination of inter-segment revenue	**(178)**	(92)
Consolidated turnover	**3,829,173**	3,105,559

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
Profit		
Reportable segment profit	**491,426**	360,548
Elimination of inter-segment profits	**(3,780)**	(1,662)
Reportable segment profit derived from the Group's external customers	**487,646**	358,886
Finance costs	**(2,999)**	(7,460)
Unallocated operating income and expenses	**(27,508)**	(23,272)
Consolidated profit before taxation	**457,139**	328,154

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Assets		
Reportable segment assets	**6,862,135**	6,400,026
Elimination of inter-segment receivables	**(19,576)**	(67,735)
	6,842,559	6,332,291
Deferred tax assets	**42,625**	39,369
Unallocated assets	**155,513**	405,392
Consolidated total assets	**7,040,697**	6,777,052

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Liabilities		
Reportable segment liabilities	**2,953,340**	2,952,508
Elimination of inter-segment payables	**(19,576)**	(67,735)
	2,933,764	2,884,773
Income tax payable	**27,023**	19,804
Deferred tax liabilities	**109,806**	99,097
Unallocated liabilities	**330,356**	342,638
Consolidated total liabilities	**3,400,949**	3,346,312

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. Turnover

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

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
Sales of goods	**3,185,876**	2,757,218
Revenue from project engineering contracts	**643,297**	348,341
	3,829,173	3,105,559

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

		Six months ended 30 June	
	Note	**2012 RMB'000**	2011 RMB'000 (restated)
(a) Other revenue			
Government grants	*(i)*	**7,434**	4,743
Other operating revenue	*(ii)*	**49,590**	39,025
Interest income from bank deposits		**9,858**	8,014
		66,882	51,782

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

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
(b) Other net income/(expenses)		
Net gain on disposal of property, plant and equipment	**4**	29
Charitable donations	**(177)**	(407)
Other net income	**1,342**	113
	1,169	(265)

8. Profit before taxation

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

(i) Finance costs

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
Interest on bank loans and other borrowings	**6,743**	10,052
Foreign exchange gain	**(4,288)**	(3,347)
Bank charges	**544**	755
	2,999	7,460

(ii) Other items

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (restated)
Depreciation of property, plant and equipment	**53,248**	49,835
Amortisation of intangible assets	**7,805**	4,183
Amortisation of lease prepayments	**3,561**	2,603
Impairment losses for trade receivables	**10,060**	2,143
Reversal of impairment losses of trade receivables	**(4,505)**	(5,810)
Reversal of impairment losses of other receivables	**–**	(125)
Write-down of inventories	**10**	1,767
Reversal of write-down of inventories	**(845)**	(1,571)
Research and development costs	**48,438**	33,503
Operating lease charges for property rental	**2,091**	3,238
Provision for product warranties	**18,100**	11,807
Equity-settled share-based payment expenses	**5,657**	6,672
Transaction cost in relation to acquisition of a subsidiary (note 19)	**49**	–

9. Income tax

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Current income tax	**79,722**	76,841
Deferred income tax	**1,233**	(6,692)
	80,955	70,149

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

According to the Corporate Income Tax Law of the People's Republic of China (the "Tax Law"), the Company's subsidiaries in the People's Republic of China ("PRC") are subject to statutory income tax rate of 25%.

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

Pursuant to the Tax Law and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 30 June 2012, deferred tax liability recognised in this regard was RMB52,604,000 (31 December 2011: RMB45,422,000).

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

10. Earnings per share

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**372,557**	253,355

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares	**898,520,140**	857,452,201
Weighted average number of non-redeemable convertible preference shares	**974,573,382**	1,015,641,321
Weighted average number of shares for the purpose of basic earnings per share	**1,873,093,522**	1,873,093,522
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme *(note 17)*	**13,960,833**	–
Weighted average number of shares for the purpose of diluted earnings per share	**1,887,054,355**	1,873,093,522

11. Property, plant and equipment

During the six months ended 30 June 2012, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB110,613,000 (six months ended 30 June 2011: RMB19,770,000). Items of property, plant and equipment with net book value totalling RMB7,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB350,000), resulting in a gain on disposal of RMB4,000 (six months ended 30 June 2011: RMB29,000).

12. Inventories

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Raw materials	**793,503**	787,401
Consignment materials	**93,840**	108,405
Work in progress	**594,302**	674,080
Finished goods	**652,040**	507,667
	2,133,685	2,077,553

13. Trade and bills receivable

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Current	**1,041,283**	1,043,326
Less than 1 month past due	**50,078**	81,071
1 to 3 months past due	**36,870**	10,728
More than 3 months but less than 12 months past due	**189,472**	145,369
More than 12 months past due	**97,693**	75,458
Amounts past due	**374,113**	312,626
	1,415,396	1,355,952

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

14. Cash at bank and in hand

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Cash in hand and demand deposits	**711,489**	976,017
Restricted bank deposits within three months of maturity	**109,661**	19,063
Bank overdrafts	**(177)**	(2,950)
Cash and cash equivalents	**820,973**	992,130
Restricted bank deposits with maturity of more than three months	**64,610**	86,940
Add back bank overdrafts	**177**	2,950
	885,760	1,082,020

15. Bank loans and overdrafts

At 30 June 2012, the bank loans and overdrafts were repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Within 1 year or on demand	**420,819**	321,139
After 1 year but within 2 years	**94,204**	72,963
After 2 years but within 5 years	**122,283**	121,605
	216,487	194,568
	637,306	515,707

All the bank loans and overdrafts were unsecured. The annual rate of interest charged on the bank loans ranged from 2.36% to 6.89% for the six months ended 30 June 2012 (six months ended 30 June 2011: 2.44% to 6.37%).

16. Trade and bills payable

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Trade creditors	**1,067,333**	1,069,776
Bills payable	**150,000**	241,846
	1,217,333	1,311,622

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Due within 3 months or on demand	**1,028,928**	1,243,205
Due after 3 months but within 12 months	**173,114**	60,022
Due after 12 months	**15,291**	8,395
	1,217,333	1,311,622

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

17. Equity-settled share-based transactions

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

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2012 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 7.37 years. 40,400,000 options had become exercisable on 11 November 2011.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2012 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 9.33 years. 40%, 30% and 30% of 37,320,000 options will become exercisable on 28 October 2013, 2014 and 2015, respectively.

No option was granted during the six months ended 30 June 2012.

18. Capital, reserves and dividends

(a) Dividends

Final dividend of RMB116,881,000 (HK$112,386,000) in relation to the year ended 31 December 2011 was paid in June 2012 (2011: Nil).

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

(b) Contributed surplus

The contributed surplus of the Group includes the difference between (a) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and (b) the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005.

The contributed surplus of the Group also includes the difference between (a) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the acquisition of certain subsidiaries during the year ended 31 December 2009.

The contributed surplus of the Group also includes the difference between (a) the registered capital of Nantong Transport acquired of RMB69,945,550; and (b) the aggregate consideration paid by the Company of RMB66,330,000 for the acquisition of Nantong Transport during the six months ended 30 June 2012.

(c) Capital reserve

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

(d) General reserve fund

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

19. Business combinations

On 1 January 2012, the Group acquired 100% of the issued shares in Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI"), a company that is principally engaged in consultancy, planning, design, service, procurement and contracting for petrochemical projects; pressure vessels and pressure piping design; computer software development and utilisation, for consideration of RMB165,000,000. The acquisition is expected to enhance engineering service capability and enable the Group to expand into the upstream customer network. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in design and project engineering market. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale.

The following table summarises the consideration paid for YPDI, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	RMB'000
Purchase consideration	
– Prepayment	33,000
– Cash paid	58,589
– Payable	73,411
Total purchase consideration	165,000

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value RMB'000
Cash and cash equivalents	54,287
Property, plant and equipment	15,852
Intangible assets	
– Customers relationship	27,000
– Major contracts	4,800
– Others	1,625
Inventories	17
Lease prepayment	2,463
Trade and other receivables	55,863
Trade payables	(71,888)
Income tax payable	(1,420)
Deferred tax liability	(7,950)
Total identifiable net assets	80,649
Goodwill	84,351
	165,000
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the period ended 30 June 2012)	49

	RMB'000
Outflow of cash to acquire business, net of cash acquired	
– cash consideration paid	58,589
– cash and cash equivalents in subsidiary acquired	(54,287)
Cash outflow on acquisition	4,302

(a) Acquired receivables

The fair value of trade and other receivables is RMB55,863,000 and includes trade receivables with a fair value of RMB29,283,000.

(b) Provisional fair value of acquired identifiable intangible assets

The fair value of the acquired identifiable intangible assets of RMB31,800,000 is provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of RMB7,950,000 have been provided.

(c) Revenue and profit contribution

The acquired business contributed revenues of RMB79,991,000 and net profit of RMB414,000 to the Group for the six months ended 30 June 2012.

20. Commitments

(a) Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Contracted for		
– Production facilities	**119,901**	184,773
– Equity investment	**–**	169,577
	119,901	354,350

(b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Within 1 year	**2,439**	3,329
After 1 year but within 5 years	**3,517**	5,813
After 5 years	**7,011**	12,292
	12,967	21,434

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

21. Related party transactions

(a) Transactions with CIMC and its subsidiaries

		Six months ended 30 June	
	Note	**2012 RMB'000**	2011 RMB'000 (restated)
Nature of transactions			
Sales	*(i)*	**160,361**	109,555
Purchases	*(ii)*	**81,298**	85,344
Comprehensive service charges	*(iii)*	**1,097**	887
Processing service charges	*(iv)*	**6,880**	4,904
Processing service income	*(v)*	**20,332**	7,591
Management fee expenses	*(vi)*	**1,997**	1,683
Technology licence income	*(vii)*	**2,018**	2,749
Office services income	*(viii)*	**285**	–

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

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

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

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

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

(vi) Management fee expenses mainly represent management services provided to the Group by related parties.

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

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

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Receivables for products sold and other transactions	**38,347**	18,027
Payables for receipts in advance for sales and payables for purchases of raw materials and others transactions	**(97,327)**	(63,466)

(c) *Immediate and ultimate controlling party*

As at 30 June 2012, the Directors consider the parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2012, 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.

22 Events occurring after the balance sheet date

On 16 August 2012, Ziemann International GmbH, an indirect wholly-owned subsidiary of the Company entered into the Asset Purchase Agreement with the third-party vendors for acquiring certain assets of Ziemann Group for an aggregate consideration of €26,502,000 (equivalent to approximately RMB205,727,000).

As at 30 June 2012, the total assets of Ziemann Group to be purchased were valued by third party professionals at approximately €33,388,000 (equivalent to approximately RMB259,181,000).

Ziemann Group was one of the world's leading turnkey solution providers in brewing with long business history and provided comprehensive equipment and services to breweries, with sales offices in the United States of America, Thailand, Australia and South Africa and whose customers covered substantially all of the world's largest brewers.

Management Discussion and Analysis

The Board of Directors of CIMC Enric Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to present the interim financial report of the Group for the six months ended 30 June 2012 set out on pages 4 to 29 of this report together with the comparative figures for the corresponding period in 2011.

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

Basis of Preparation

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

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

In applying merger accounting, the consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party. Thus, the comparative amounts in the content below are restated accordingly.

Business Review

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

Product portfolio

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

Energy equipment

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

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

Chemical equipment

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

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

Liquid food equipment

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

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

Operational performance

Turnover

Faced with the challenges of a slowing global economy, the Group maintained its track record of steady growth in the first half of 2012. Continual rise in the consumption of natural gas in China has been fuelling the growth of the Group's energy equipment segment. Despite weak economic data from the US and Europe dampened the chemical equipment segment's growth momentum, the segment managed to outperform the same period last year. With the ongoing effort to increase order intakes, the liquid food segment continues its expansion path. As a result, the turnover for the first half of 2012 increased by 23.3% to RMB3,829,173,000 over the same period of previous year (corresponding period in 2011: RMB3,105,559,000). The performance of each segment is discussed below:

Energy equipment remains the top grossing segment of the Group which accounted for 52.2% (corresponding period in 2011: 48.8%) of the overall turnover. The segment's turnover recorded a steady growth of 31.9% to RMB1,999,792,000 (corresponding period in 2011: RMB1,516,425,000) with both CNG and LNG storage and transportation equipment being the main contributors to the segment's growth.

Chemical equipment is second top grossing segment of the Group during the period with turnover recorded a modest growth of 10.3% to RMB1,430,445,000 (corresponding period in 2011: RMB1,296,821,000) and contributed 37.4% (corresponding period in 2011: 41.8%) of the overall turnover.

Turnover of liquid food equipment segment was RMB398,936,000 (corresponding period in 2011: RMB292,313,000), representing a rise of 36.5% and accounted for 10.4% (corresponding period in 2011: 9.4%) of the overall turnover.

Gross profit margin and profitability

The energy equipment segment's gross profit margin ("GP margin") fell by 2.1 percentage points to 21.8% (corresponding period in 2011: 23.9%). The decrease in the segment's GP margin was mainly caused by a decrease in the average selling price of certain products during the period.

The chemical equipment segment saw its GP margin improved from 13.5% in the same period last year to 17.5% during the period. The decrease in cost of raw materials during the period mainly accounted for the segment's increased GP margin when comparing with the same period last year.

The liquid food equipment segment's GP margin remained stable at 10.7% (corresponding period in 2011: 10.3%). In a continuous effort to boost sales order intakes, the segment has adopted an aggressive pricing strategy which puts pressure on its GP margin.

The effect of an improvement in the chemical equipment segment's GP margin has been offset to some extent by the fall in the energy equipment segment's GP margin, which combined to boost the Group's overall GP margin by 0.7 percentage point to 19.0% (corresponding period in 2011: 18.3%).

Profit from operations expressed as a percentage of turnover increased by 1.2 percentage points to 12.0% (corresponding period in 2011: 10.8%) which is mainly attributable to the economies of scale that saw selling expenses increased at a slower pace than the growth in turnover.

Research and development

In the six months ended 30 June 2012, several research and development ("R&D") projects and manufacturing technology enhancement projects were undertaken at the same time. The Group devoted RMB48,438,000 (corresponding period in 2011: RMB33,503,000) to the R&D of new products and manufacturing technologies.

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

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

The Group has successfully developed new manufacturing technologies for composite cylinders and cryogenic vessels in the first half of the year, both of which have been well received by the market. In the future, the Group will continue to devote more resources to launch quality products to broaden its customer portfolio and provide more sustainable growth in turnover.

Production capacity

In the first half of 2012, the Group invested RMB217,700,000 in capital expenditure. On top of the investments for maintaining production capacity and production technology improvements amounted to RMB155,660,000, the investment amount of RMB57,738,000 and RMB4,302,000 were attributable to enhancement of production capacity and acquisition activities respectively.

The newly acquired subsidiary, YPDI enriches the Group's project engineering capability which enables it to expand into upstream customer network; while another acquisition of Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") will further increase the production capacity of the Group's existing energy equipment including LNG trailers and other cryogenic transportation and storage products. The completion of the above acquisitions definitely enables the Group to maintain leading position in equipment manufacturing.

The Group targets to expand the production capacity of its energy equipment in order to tap into the progressive growth of gas source due to more pipelines and coastal LNG terminals in operations in the coming years. This target will be principally achieved by organic growth through both expansion of the Group's existing production plants and the construction of new production lines. Following the investment plan starting last year, the capital expenditure continuously went to enhancement of energy equipment production facilities in the PRC which includes acquisition of land and construction of factory buildings for relocating the compressors production plant from the existing location to a newly developed industrial park in Bengbu. In addition, the Group is building a light weight composite cylinder production line in Shijiazhuang, expanding the LNG production facilities in Zhangjiagang and the LPG production plant in Jingmen. For the chemical equipment segment, the Group has also invested in enhancing the production capacity of the tank container production base in Nantong. In this year, the investment plan was further expanded to the production capacity enhancement of natural gas refueling systems in Langfang.

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

Sales and marketing

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

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

The Group is committed to build a wide and solid customer network, especially with industry heavyweights and customers of great growth potentials. The Group's broad customer base includes big names such as PetroChina, ENN Energy, China Resource Gas Group, Xinjiang Guanghui, Air Products, EXSIF, TAL International, Sinochem International, Stolt-Nielsen and SABMiller.

In order to capitalise the business opportunities in overseas countries and diversify revenue sources, the Group is expanding its overseas markets. During the period, the Group's revenue derived from overseas amounted to RMB1,790,088,000 (corresponding period in 2011: RMB1,473,991,000). Special focus remains on emerging markets, such as South-east Asia, Central Asia and South America. The Group has organised visits to several emerging markets recently, so as to gather local market information and meantime promote its products and services.

Since the set-up of a representative office in South-east Asia has boosted local sales and allowed direct access to customers in surrounding regions, the Group will look for opportunities to set up more representative offices in various Asian countries to facilitate sales and promotion.

Meanwhile, by providing referral arrangement for finance lease, the Group is able to solicit and retain more customers especially under this competitive business environment and the tight monetary conditions in China.

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

Cost control

With firm determination to maximise cost efficiency, the Group continues to implement cost control and management enhancement programs. During the period, operational efficiency and quality have been enhanced with internal resources better allocated and shared among operating units.

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

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

Customer service

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

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

The Group, in collaboration with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), has established five examination centres for CNG trailers and other high pressure cylinder trailers in Xi'an, Shenyang, Haikou, Urumqi and Yangzhou, the PRC. The centre in Urumqi will be moved and combined with a new centre in Xinjiang which is expected to put into operation in the second half of 2012. These examination centres are authorised to provide safety examinations for high pressure cylinder trailers required for special-vehicle license renewal in accordance with relevant safety regulations.

Human resources

At 30 June 2012, the total number of employees of the Group was approximately 8,080. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB425,452,000 (corresponding period in 2011: RMB384,445,000).

There have been no material changes in respect of employee incentive and bonus policies, share option scheme and training scheme as disclosed in Annual Report 2011.

Financial Resources Review

Liquidity and financial resources

At 30 June 2012, the Group recorded cash on hand of RMB885,760,000 (31 December 2011: RMB1,082,020,000) and bank loans and overdrafts of RMB637,306,000 (31 December 2011: RMB515,707,000). A portion of the Group's bank deposits totalling RMB64,610,000 (31 December 2011: RMB86,940,000), which had more than three months of maturity at acquisition, were secured for letters of credit, bills payable and bank guarantee. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2012, the Group's bank loans and overdrafts amounted to RMB637,306,000 (31 December 2011: RMB515,707,000) and apart from the HKD300,000,000 (equivalent to RMB244,566,000) three-year term loan that bears interest at floating rates, the remaining bank loans bear interest at rates from 2.36% to 6.89% per annum and repayable within one year. At 30 June 2012, the Group did not have secured bank loan (31 December 2011: Nil). As of 30 June 2012, bank loans amounting to RMB637,129,000 (31 December 2011: RMB512,757,000) were guaranteed by the Company's subsidiaries.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2011: zero times) as the Group retained a net cash balance of RMB248,454,000 (31 December 2011: RMB566,313,000). The decrease in net cash balance is arising from the increment of inventory, which is mainly to fulfill the higher working capital requirement for expanding trade volume. The Group's interest coverage was 68.8 times for the period (corresponding period in 2011: 33.6 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

During the period, net cash generated from operating activities amounted to RMB54,395,000; whilst RMB157,978,000 used in operating activities for the same period last year. The Group drew bank loans of RMB658,038,000 (corresponding period in 2011: RMB484,979,000) and repaid RMB533,667,000 (corresponding period in 2011: RMB119,265,000).

Assets and liabilities

At 30 June 2012, total assets of the Group amounted to RMB7,040,697,000 (31 December 2011: RMB6,777,052,000) while total liabilities were RMB3,400,949,000 (31 December 2011: RMB3,346,312,000). The net asset value rose by 6.1% to RMB3,639,748,000 (31 December 2011: RMB3,430,740,000) which was mainly attributable to the net profit of RMB376,184,000 and exchange difference on translation of financial statements denominated in foreign currency of RMB10,377,000, but offset by dividend payment of RMB116,881,000 for the period. As a result, the net asset value per share increased to RMB1.943 at 30 June 2012 from RMB1.832 at 31 December 2011.

Contingent liabilities

At 30 June 2012, the Group did not have any significant contingent liabilities.

Capital commitments

At 30 June 2012, the Group had contracted but not provided for capital commitments of RMB119,901,000 (31 December 2011: RMB354,350,000). As of 30 June 2012, the Group did not have authorised but not contracted for capital commitments (31 December 2011: Nil).

Foreign exchange exposure

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

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. Concurrently, the Group will take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow.

The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 30 June 2012, the Group had total capital commitments of RMB119,901,000.

Future Plans and Strategies

As mentioned in the Group's Annual Report 2011, the world economy has resumed its gradual recovery, yet the recovery will continue to face uncertainties. Even though in the first half of 2012, China's GDP increased 7.8% year-on-year, other financial data suggest that economic growth of the country has entered a phase of slowing down, which provides scope for further policy easing. At the same time, the United States saw a gradual recovery while Europe has not shown any clear sign of recovery.

Confronted with the global economic uncertainties in the next six to twelve months, the Group remains prudently optimistic about the outlook of the sectors it engaged in. The Group strives to become a world-leading manufacturer of specialised equipment and provider of related project engineering services in energy, chemical and liquid food industries. Following the completion of two acquisitions during the period, the Group's business portfolio and leading market position have been reinforced.

One of the newly acquired subsidiaries, Nantong CIMC Transportation & Storage Equipment Co., Ltd. ("Nantong Transport") has contributed to the Group's revenue and production capacity of LNG trailers and other cryogenic transportation and storage products. In addition, the Group has benefited from the synergy brought by the acquisition of Nantong Transport in terms of manufacturing technologies and economies of scale. Another acquisition of Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI") has enriched the Group's engineering service capability and created synergy by means of technological development and expanded market reach. YPDI has yielded positive returns to the Group since offering one-stop engineering and procurement services for customers.

In the first half of 2012, China has consumed 72.1 billion cubic meters ("bcm") of nature gas, up 15.9% compared to a year earlier. China has also reported a surge of 44.6% in natural gas imports to 19.8 bcm over the corresponding period of last year. Embracing the PRC government's plan to boost natural gas consumption with significant investment being poured into the natural gas industry, the Group has invested proactively in building new plants over the past two years to enhance its production capacity and strengthen its competitive advantages. The Group's new production plants located in Shijiazhuang and Langfang of Hebei province and Bengbu of Anhui province will gradually come into operation in the second half of 2012. In the future, the Group will be more mindful of investment in capital expenditure.

Besides, the Group will step up its effort in exploring project engineering business and largely focus on the development of cryogenic tanks, refueling station projects, small and medium scale liquefaction, petrochemical gas storage, gas processing projects, chemical spherical tanks and special vessels for nuclear energy.

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

The outlook of the global liquid food industry remains positive, especially in developing countries like China. With the anticipation of a steady growth of the industry, the Group's liquid food equipment arm will continue to implement development strategies to broaden its customer network and provide more sustainable growth in turnover.

On 16 August 2012, the Group entered into an asset purchase agreement to purchase certain assets of Ziemann Group. Ziemann Group was one of the world's leading turnkey solution providers in brewing with long business history and provided comprehensive equipment and services to breweries including raw material processing, brew houses and cold block equipment in various countries. The Group believes that the acquisition will facilitate the development of the Group's capability for providing comprehensive turnkey solutions to its customers and enhance the Group's competitive advantages in the liquid food equipment business. In addition, it is expected that the Group's liquid food equipment arm will benefit from the acquisition in terms of enhancement of brand name, marketing network, manufacturing technologies, process automation and project references. The acquisition will also complement the Group with capabilities to expand its presence in the liquid food equipment market both in Europe and internationally.

Expansion of overseas market has been the Group's long-term development strategy. Recently, the senior marketing team of the Group has visited the northern American market for onsite market research on the local LNG and shale gas industries. The Group will continue to monitor closely the market trend and translate the new market opportunities into business returns in the foreseeable future.

As for the operational aspect, facing the future economic uncertainties due to the debt crisis in Europe, the slow economic recovery in the United States, the political instability in the Middle East, as well as the anticipated slowdown of economic growth in China, extra efforts will be put into implementing a number of stringent cost control measures and internal control policies to maintain the Group's competitiveness. As planned earlier in the year, the Group will also continuously pay attention to operational cash flow planning and control through tighter control on inventory levels and trade receivables.

The Group will also persist in its manufacturing technology improvement programs and the ONE (Optimization Never Ending) production program which can contribute to reduction in production costs and sustainable enhancement of production efficiency and product quality.

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

Supplementary Information

Directors' Interests in Shares

As at 30 June 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
Zhao Qingsheng	Beneficial owner	Ordinary	214,000	0.02%
Jin Yongsheng	Beneficial owner	Ordinary	246,000	0.02%
Petrus Gerardus Maria van der Burg ("Mr. van der Burg")	Interest of controlled corporation	Ordinary	103,905,085 *(Note 2)*	10.43%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2012, which was 995,866,367. On 7 May 2012, CIMC Vehicle Investment Holdings Company Limited ("CIMC Vehicle") converted 138,414,166 preference shares into ordinary shares. Since then and as at 30 June 2012, the total number of ordinary shares and preference shares of the Company in issue were 995,866,367 and 877,227,155 respectively.

2. These 103,905,085 ordinary shares are held by P.G.M. Holding B.V. ("PGM"), which is controlled by Mr. van der Burg.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009 and 28 October 2011 under a share option scheme approved by the shareholders on 12 July 2006 (the "Share Option Scheme" or the "Scheme"). Details of which were set out under the section headed "Share Options" on pages 45 to 46.

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares held	Shareholding %
CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group")	Zhao Qingsheng	Beneficiary of a trust *(Note 1)*	3,000,000	1.36% *(Note 2)*
	Gao Xiang	Beneficiary of a trust *(Note 1)*	1,000,000	0.45% *(Note 2)*
	Jin Jianlong	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
	Yu Yuqun	Beneficiary of a trust *(Note 1)*	2,000,000	0.91% *(Note 2)*
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Zhao Qingsheng	Beneficial owner *(Note 3)*	1,500,000	0.06% *(Note 4)*
	Gao Xiang	Beneficial owner *(Note 3)*	500,000	0.02% *(Note 4)*
	Jin Jianlong	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*
	Yu Yuqun	Beneficial owner *(Note 3)*	1,000,000	0.04% *(Note 4)*

Notes:

1. Pursuant to a stock credit plan (the "Stock Credit Plan") adopted by CIMC Vehicle Group, China Resources SZITIC Trust Co., Ltd. has been appointed as trustee to acquire and to hold on trust, for the benefit of certain employees of CIMC Vehicle Group, a 20% equity interest in CIMC Vehicle Group. Under the Stock Credit Plan, there are a total of 220,700,000 units, of which 213,115,000 units were allocated as at 30 June 2012. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu, all being Executive Directors, are participants in the Stock Credit Plan, with 3,000,000 units, 1,000,000 units, 2,000,000 units and 2,000,000 units allocated respectively. CIMC Vehicle Group holds as to 100% of CIMC Vehicle. Hence, Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu are deemed to be interested in the relevant class of shares of the Company held by CIMC Vehicle as a beneficiary of a trust.

2. The percentage is calculated based on the total number of allocated stock credit units under the Stock Credit Plan as at 30 June 2012, which was 220,700,000.

3. Mr. Zhao, Mr. Gao, Mr. Jin and Mr. Yu were granted stock options by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange, with 1,500,000 units, 500,000 units, 1,000,000 units and 1,000,000 units of options respectively on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB12.39 per share, and 25% of which are exercisable between 28 September 2012 and 26 September 2014; another 75% of which are exercisable between 29 September 2014 and 25 September 2020.

4. The percentage is calculated based on the total number of share capital of CIMC in issue as at 30 June 2012, which was 2,662,396,051.

Save as disclosed above, as at 30 June 2012, 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 2012, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2012, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Class of shares of the Company	Number of shares held	% of issued share capital of the relevant class of shares *(Note 1)*
CIMC	Interest of controlled corporation	Ordinary	623,664,282 *(Note 2)*	62.63%
	Interest of controlled corporation	Preference	877,227,155 *(Note 3)*	100%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	Ordinary	190,703,000 *(Note 4)*	19.15%
	Beneficial owner	Ordinary	254,405,490	25.55%
	Beneficial owner	Preference	877,227,155	100%
Charm Wise Limited ("Charm Wise")	Beneficial owner	Ordinary	190,703,000 *(Note 4)*	19.15%
CIMC Vehicle	Beneficial owner	Ordinary	178,555,792	17.93%
PGM	Beneficial owner	Ordinary	103,905,085	10.43%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and preference shares (as appropriate) of the Company in issue as at 30 June 2012, which were 995,866,367 and 877,227,155 respectively. The preference shares are convertible into ordinary shares on one-on-one basis. Generally, the holder of preference shares shall not be entitled to vote at general meetings of the Company except for certain situations set out in the articles of associations of the Company.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise, 254,405,490 ordinary shares held by CIMC HK and 178,555,792 ordinary shares held by CIMC Vehicle. Charm Wise and CIMC HK are wholly-owned subsidiaries of CIMC, and CIMC Vehicle is controlled by CIMC as to 80%.

3. These preference shares refer to the 877,227,155 preference shares held by CIMC HK. CIMC HK is wholly owned by CIMC.

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

Save as disclosed above, as at 30 June 2012, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company has adopted the Share Option Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group. Details of the terms thereof are set out in the Annual Report 2011.

As at 30 June 2012, a total of 81,950,000 ordinary shares of HK$0.01 each in the capital of the Company were granted and accepted by the respective participants under the Scheme. During the six months ended 30 June 2012, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2012	granted during the period	exercised during the period	lapsed during the period	transferred to/from other category	outstanding at 30 June 2012
Directors								
Zhao Qingsheng	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	450,000	–	–	–	–	450,000
Gao Xiang	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	500,000	–	–	–	–	500,000
Jin Jianlong	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Yu Yuqun	11/11/2009	11/11/2010 – 10/11/2019	800,000	–	–	–	–	800,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Jin Yongsheng	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Mr. van der Burg	11/11/2009	11/11/2010 – 10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013 – 27/10/2021	400,000	–	–	–	–	400,000
Wong Chun Ho	11/11/2009	11/11/2010 – 10/11/2019	500,000	–	–	–	–	500,000
	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013 – 27/10/2021	300,000	–	–	–	–	300,000
			8,750,000	–	–	–	–	8,750,000
Employees	11/11/2009	11/11/2010 – 10/11/2019	25,550,000	–	–	(100,000)	(1,350,000)	24,100,000
	28/10/2011	28/10/2013 – 27/10/2021	31,750,000	–	–	(880,000)	(520,000)	30,350,000
Other participants	11/11/2009	11/11/2010 – 10/11/2019	9,350,000	–	–	–	1,350,000	10,700,000
	28/10/2011	28/10/2013 – 27/10/2021	3,300,000	–	–	–	520,000	3,820,000
Total			78,700,000	–	–	(980,000)	–	77,720,000

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.

As at the date of this report, a total of 48,315,220 number of options, representing 4.85% of the issued ordinary share capital of the Company are available for grant under the Scheme.

As at the date of this report, a total of 126,035,220 shares, representing 12.66% of the issued ordinary share capital of the Company, are available for issue under the Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2012.

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 2012.

Corporate Governance

From 1 January 2012 to 31 March 2012, the Company complied with all the code provisions of the former Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the revised Corporate Governance Code (the revised "CG Code") contained in Appendix 14 to the Listing Rules effective from 1 April 2012 as its principal guideline in relation to corporate governance.

From 1 April 2012 to 30 June 2012, the Company complied with all the code provisions of the revised CG Code, except for the deviation of code provision A.6.7 that Mr. Jin Yongsheng, a non-executive Director, was unable to attend the annual general meeting of the Company held on 18 May 2012 due to other important business commitment.

The latest corporate governance report of the Company is set out in the Annual Report 2011.

Audit Committee and Other Board Committees

The Audit Committee comprises three Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2012.

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 biographical details of Directors can be referred to the Annual Report 2011, except for the following changes during the period and up to the date of this report:

The monthly salary of Mr. Gao Xiang, the general manager of the Company and an executive Director, has been increased from RMB42,000 to RMB65,000 starting from 1 January 2012, considering the duties and responsibilities of Mr. Gao, the prevailing market conditions and the remuneration of senior executives in the market of Mainland China and Hong Kong.

Mr. Tsui Kei Pang, an independent non-executive Director, is also the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong. The name of “Mainland Legal Affairs Committee” has been changed to “Greater China Legal Affairs Committee”.

Purchase, Sale or Redemption of Listed Securities

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

Directors

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

By order of the Board
Zhao Qingsheng
Chairman

Hong Kong, 20 August 2012

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