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# **CIMC ENRIC**

## **CIMC Enric Holdings Limited**

### **中集安瑞科控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3899)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
Revenue	<b>7,940,016</b>	5,319,352	49.3%
Profit attributable to shareholders	<b>383,411</b>	215,993	77.5%
Basic earnings per share	<b>RMB0.195</b>	RMB0.109	78.9%

The Board of Directors of CIMC Enric Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announces the unaudited financial results of the Group for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

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

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021 – unaudited

		Six months ended 30 June	
		2021	2020
	Note	RMB'000 (unaudited)	RMB'000 (unaudited)
<b>Revenue</b>	3&4	<b>7,940,016</b>	5,319,352
Cost of sales		<u>(6,759,415)</u>	<u>(4,562,425)</u>
<b>Gross profit</b>		<b>1,180,601</b>	756,927
Change in fair value of financial instruments		(8,501)	(4,312)
Other revenue		<b>88,053</b>	105,364
Other income, net		<b>32,924</b>	67,544
Net impairment loss on financial assets	5(c)	(17,780)	(23,873)
Selling expenses		(177,833)	(144,145)
Administrative expenses		<u>(583,504)</u>	<u>(469,727)</u>
<b>Profit from operations</b>		<b>513,960</b>	287,778
Finance costs	5(a)	(33,429)	(23,603)
Share of post-tax profit of associates		<u>3,744</u>	<u>4,228</u>
<b>Profit before taxation</b>	5	<b>484,275</b>	268,403
Income tax expenses	6	<u>(97,970)</u>	<u>(63,173)</u>
<b>Profit for the period</b>		<b><u>386,305</u></b>	<b><u>205,230</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>383,411</b>	215,993
Non-controlling interests		<u>2,894</u>	<u>(10,763)</u>
<b>Profit for the period</b>		<b><u>386,305</u></b>	<b><u>205,230</u></b>
<b>Earnings per share</b>	7		
– Basic		<b><u>RMB0.195</u></b>	<b><u>RMB0.109</u></b>
– Diluted		<b><u>RMB0.195</u></b>	<b><u>RMB0.109</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>386,305</b>	205,230
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>55,368</u>	<u>(16,839)</u>
<b>Total comprehensive income for the period</b>	<b><u>441,673</u></b>	<b><u>188,391</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	438,779	199,154
Non-controlling interests	<u>2,894</u>	<u>(10,763)</u>
<b>Total comprehensive income for the period</b>	<b><u>441,673</u></b>	<b><u>188,391</u></b>

## CONSOLIDATED BALANCE SHEET

As at 30 June 2021 – unaudited

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
<b>Non-current assets</b>		
Property, plant and equipment	3,043,711	3,069,709
Construction in progress	472,260	366,939
Right-of-use assets	105,804	116,548
Investment properties	36,258	38,700
Lease prepayments	546,956	542,764
Intangible assets	173,051	183,713
Investment in associates	213,673	192,370
Goodwill	261,865	236,801
Deferred tax assets	108,621	99,451
	4,962,199	4,846,995
<b>Current assets</b>		
Inventories	4,579,413	3,924,638
Contract assets	1,383,868	1,001,746
Trade and bills receivables	2,980,725	2,389,147
Deposits, other receivables and prepayments	1,032,892	855,325
Amounts due from related parties	88,651	99,366
Financial instruments at fair value through profit or loss	29,865	87,115
Restricted bank deposits	439,880	309,498
Cash and cash equivalents	2,130,233	2,560,890
	12,665,527	11,227,725
<b>Current liabilities</b>		
Financial instruments at fair value through profit or loss	14,714	1,037
Bank loans	304,277	24,941
Lease liabilities	38,513	24,024
Loans from related parties	720,348	667,506
Other borrowings	8,736	13,449
Trade and bills payables	3,197,866	2,461,023
Contract liabilities	2,486,428	2,438,378
Other payables and accrued expenses	1,690,574	1,643,752
Amounts due to related parties	272,400	146,532
Warranty provision	121,665	98,659
Income tax payable	32,108	131,764
	8,887,629	7,651,065
<b>Net current assets</b>	3,777,898	3,576,660
<b>Total assets less current liabilities</b>	8,740,097	8,423,655

**CONSOLIDATED BALANCE SHEET (CONTINUED)***As at 30 June 2021 – unaudited*

	<i>Note</i>	At <b>30 June 2021</b> <i>RMB'000</i> <b>(unaudited)</b>	At 31 December 2020 <i>RMB'000</i> (audited)
<b>Non-current liabilities</b>			
Bank loans		259,624	270,996
Warranty provision		73,424	86,855
Deferred tax liabilities		213,607	175,337
Deferred income		277,983	282,018
Employee benefit liabilities		4,533	4,413
Other borrowings		4,387	36,197
Lease liabilities		80,459	96,481
		<u>914,017</u>	<u>952,297</u>
<b>NET ASSETS</b>		<u><b>7,826,080</b></u>	<u><b>7,471,358</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		18,468	18,376
Reserves		7,594,687	7,261,700
Equity attributable to equity shareholders of the Company		7,613,155	7,280,076
Non-controlling interests		212,925	191,282
<b>TOTAL EQUITY</b>		<u><b>7,826,080</b></u>	<u><b>7,471,358</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Shares held for share award scheme	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2020</b>	18,371	446,705	(101,813)	1,124,571	162,982	(376,758)	553,732	5,308,318	7,136,108	248,403	7,384,511
Profit for the period	-	-	-	-	-	-	-	215,993	215,993	(10,763)	205,230
Currency translation differences	-	-	-	-	-	(16,839)	-	-	(16,839)	-	(16,839)
Total comprehensive income for the period	-	-	-	-	-	(16,839)	-	215,993	199,154	(10,763)	188,391
Issuance of shares in connection with exercise of share options	1	166	-	-	(1,493)	-	-	1,443	117	-	117
Purchase of shares in connection with share award scheme	-	-	(18,672)	-	-	-	-	-	(18,672)	-	(18,672)
Shares held for share award scheme – vesting of awarded shares	-	34,257	41,903	-	(34,257)	-	-	-	41,903	-	41,903
Equity-settled share-based payments	-	-	-	-	6,581	-	-	-	6,581	-	6,581
Transfer to general reserve	-	-	-	-	-	-	12,115	(12,115)	-	-	-
2019 final dividend paid	-	-	-	-	-	-	-	(364,380)	(364,380)	-	(364,380)
Dividends distribution made by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,407)	(1,407)
Total contributions by and distributions to owners of the Company, recognised directly in equity	1	34,423	23,231	-	(29,169)	-	12,115	(375,052)	(334,451)	(1,407)	(335,858)
<b>At 30 June 2020</b>	<b>18,372</b>	<b>481,128</b>	<b>(78,582)</b>	<b>1,124,571</b>	<b>133,813</b>	<b>(393,597)</b>	<b>565,847</b>	<b>5,149,259</b>	<b>7,000,811</b>	<b>236,233</b>	<b>7,237,044</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the six months ended 30 June 2021 – unaudited*

	Attributable to equity shareholders of the Company											
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares held for share award scheme <i>RMB'000</i>	Contributed surplus <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	General reserve fund <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2021	18,376	482,701	(175,364)	1,124,571	1,179,787	(405,259)	445,132	4,608,613	1,519	7,280,076	191,282	7,471,358
Profit for the period	-	-	-	-	-	-	-	383,411	-	383,411	2,894	386,305
Currency translation differences	-	-	-	-	-	55,368	-	-	-	55,368	-	55,368
Total comprehensive income for the period	-	-	-	-	-	55,368	-	383,411	-	438,779	2,894	441,673
Issuance of shares in connection with exercise of share options	92	32,284	-	-	(9,438)	-	-	-	-	22,938	-	22,938
Purchase of shares in connection with share award scheme	-	-	(9,670)	-	-	-	-	-	-	(9,670)	-	(9,670)
Disposal of shares held for share award scheme	-	42,872	59,910	-	-	-	-	-	-	102,782	-	102,782
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,500	10,500
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	10,402	10,402
Transfer to general reserve	-	-	-	-	-	-	20,580	(20,580)	-	-	-	-
2020 final dividend paid	-	-	-	-	-	-	-	(235,891)	-	(235,891)	-	(235,891)
Equity-settled share-based payments of a subsidiary	-	-	-	-	11,984	-	-	-	-	11,984	46	12,030
Special reserve of subsidiaries	-	-	-	-	-	-	-	-	2,157	2,157	-	2,157
Dividends distribution made by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,199)	(2,199)
Total contributions by and distributions to owners of the Company, recognised directly in equity	92	75,156	50,240	-	2,546	-	20,580	(256,471)	2,157	(105,700)	18,749	(86,951)
At 30 June 2021	18,468	557,857	(125,124)	1,124,571	1,182,333	(349,891)	465,712	4,735,553	3,676	7,613,155	212,925	7,826,080

## NOTES

### 1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL INFORMATION

The consolidated results set out in this announcement are extracted from the financial statements of the Group for the six months ended 30 June 2021. The financial statements are presented in Renminbi (“RMB”) unless otherwise stated.

This interim financial statements for the six months ended 30 June 2021 have 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 statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

In preparing the interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The adoption of the amended standards does not have a significant impact on the consolidated financial report.



**(b) New and amended standards not yet adopted**

The following new and amended standards have been issued but are not effective for the financial period beginning 1 January 2021 and have not been early adopted by the Group:

	<b>Effective for accounting periods beginning on or after</b>
Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17 Insurance Contracts – Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 3 REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of goods	<b>5,466,380</b>	4,058,090
Revenue from project engineering contracts	<b>2,473,636</b>	1,261,262
	<b><u>7,940,016</u></b>	<b><u>5,319,352</u></b>

### 4 SEGMENT REPORTING

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, which is the Group's chief operating decision-maker, 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.

- **Clean energy:** this segment specialises in the manufacture and sale of a wide range of equipment and construction for the storage, transportation, processing and distribution of natural gas, liquefied petroleum gas ("LPG") and hydrogen such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, LPG tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors; the provision of engineering, procurement and construction services for the natural gas industry; the design, production and sale of small and medium-sized liquefied gas carriers; and the provision of value-added services for the clean energy industry.
- **Chemical and environmental:** 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 gaseous chemicals and powder products; the provision of maintenance and value-added service for tank containers; and the provision of key equipment research and development and manufacturing, and professional consulting services in relation to environmental protection.
- **Liquid food:** 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 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, bank loans 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 operations are further adjusted for items not specifically attributed to an individual reportable segment, such as finance costs, share of post-tax profit of associates, 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 and amortisation, 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.

	Clean energy		Chemical and environmental		Liquid food		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	4,452,048	2,993,243	1,523,254	1,072,219	1,457,118	1,021,611	7,432,420	5,087,073
Inter-segment revenue	56	3,958	86,721	25,762	-	-	86,777	29,720
<b>Reportable segment revenue</b>	<b>4,452,104</b>	<b>2,997,201</b>	<b>1,609,975</b>	<b>1,097,981</b>	<b>1,457,118</b>	<b>1,021,611</b>	<b>7,519,197</b>	<b>5,116,793</b>
Timing of revenue recognition								
At a point in time	3,496,137	2,757,550	1,609,975	1,097,981	-	-	5,106,112	3,855,531
Over time	955,967	239,651	-	-	1,457,118	1,021,611	2,413,085	1,261,262
<b>Reportable segment profit (adjusted profit from operations)</b>	<b>207,636</b>	<b>125,768</b>	<b>123,153</b>	<b>107,753</b>	<b>213,974</b>	<b>74,811</b>	<b>544,763</b>	<b>308,332</b>
	Clean energy		Chemical and environmental		Liquid food		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	10,545,554	9,466,270	2,547,385	2,114,071	2,914,717	2,729,631	16,007,656	14,309,972
Reportable segment liabilities	5,726,485	5,022,805	957,127	809,636	1,627,863	1,765,515	8,311,475	7,597,956

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Revenue</b>		
Reportable segment revenue	7,519,197	5,116,793
Elimination of inter-segment revenue	(86,777)	(29,720)
Unallocated revenue	507,596	232,279
<b>Consolidated revenue</b>	<b>7,940,016</b>	<b>5,319,352</b>

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit</b>		
Reportable segment profit	544,763	308,332
Release of inter-segment profit	12,370	11,805
	<u>557,133</u>	<u>320,137</u>
Reportable segment profit derived from the Group's external customers	557,133	320,137
Finance costs	(33,429)	(23,603)
Share of post-tax profit of associates	3,744	4,228
Unallocated operating expenses	(43,173)	(32,359)
	<u>484,275</u>	<u>268,403</u>
Consolidated profit before taxation	<u><u>484,275</u></u>	<u><u>268,403</u></u>
	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>		
Reportable segment assets	16,007,656	14,309,972
Elimination of inter-segment receivables	(52,936)	(229,898)
	<u>15,954,720</u>	<u>14,080,074</u>
Deferred tax assets	108,621	99,451
Unallocated assets	1,564,385	1,895,195
	<u>17,627,726</u>	<u>16,074,720</u>
Consolidated total assets	<u><u>17,627,726</u></u>	<u><u>16,074,720</u></u>
	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	8,311,475	7,597,956
Elimination of inter-segment payables	(52,936)	(229,898)
	<u>8,258,539</u>	<u>7,368,058</u>
Income tax payable	32,108	131,764
Deferred tax liabilities	213,607	175,337
Unallocated liabilities	1,297,392	928,203
	<u>9,801,646</u>	<u>8,603,362</u>
Consolidated total liabilities	<u><u>9,801,646</u></u>	<u><u>8,603,362</u></u>

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

## 5 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on loans, lease liabilities and other borrowings	29,374	19,948
Less: interest capitalised	(559)	(1,123)
Bank charges	4,614	4,778
	<u>33,429</u>	<u>23,603</u>

### (b) Other items

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Research and development costs	196,686	130,088
Depreciation of property, plant and equipment	137,298	127,512
Provision for product warranties	29,951	30,599
Amortisation of intangible assets	22,538	18,508
Operating lease charges for property rental	6,255	10,953
Amortisation of lease prepayments	7,208	7,546
Equity-settled share-based payment expenses	12,030	6,581
Depreciation of right-of-use assets	14,261	4,482
	<u>14,261</u>	<u>4,482</u>

### (c) Net impairment loss on financial assets

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment provision for trade receivables	48,209	38,338
Reversal of impairment provision of trade receivables	(34,959)	(16,788)
Impairment provision for other receivables and contract assets	4,530	2,323
	<u>17,780</u>	<u>23,873</u>

## 6 INCOME TAX EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax	<b>68,870</b>	56,800
Deferred income tax	<b>29,100</b>	6,373
	<b>97,970</b>	<b>63,173</b>

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 the Company and all the foreign incorporated subsidiaries with shareholdings in the PRC subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the six months ended 30 June 2021, no deferred withholding tax was provided for the distributable profits of PRC subsidiaries.

Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany, United Kingdom and Singapore are charged at the prevailing rates of 25%, 25%, 22%, 30%, 19% and 17%, respectively, in the relevant countries and are calculated on a stand-alone basis.

## 7 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>383,411</b>	215,993

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,963,905,031</b>	1,983,754,211
Effect of dilutive potential ordinary in respect of the Company's share option scheme and share award schemes	<u><b>7,241,166</b></u>	<u>5,913,577</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,971,146,197</b></u>	<u>1,989,667,788</u>

## **8 TRADE AND BILLS RECEIVABLES**

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Trade debtors receivables	<b>2,822,891</b>	2,340,898
Less: allowance for doubtful debts	<u><b>(332,247)</b></u>	<u>(328,561)</u>
	<b>2,490,644</b>	2,012,337
Bills receivables (i)	<u><b>490,081</b></u>	<u>376,810</u>
	<u><b>2,980,725</b></u>	<u>2,389,147</u>

- (i) Amounts represents the bank acceptance bills classified as financial assets at fair value through other comprehensive income, which the Group would discount or endorse for daily treasury management purpose.

The carrying amount of trade and bills receivables approximate their fair values.



(ii) An ageing analysis of trade and bills receivables based on due date (net of impairment losses for bad and doubtful debts) is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current	<u>2,416,513</u>	<u>1,859,835</u>
Less than 3 months past due	229,405	190,409
More than 3 months but less than 12 months past due	221,301	202,477
More than 1 year but less than 2 years past due	82,889	98,042
More than 2 years but less than 3 years past due	10,500	14,721
More than 3 years due	<u>20,117</u>	<u>23,663</u>
Amounts past due	<u>564,212</u>	<u>529,312</u>
	<u><b>2,980,725</b></u>	<u><b>2,389,147</b></u>

## 9 TRADE AND BILLS PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade creditors	2,676,797	2,203,357
Bills payables	<u>521,069</u>	<u>257,666</u>
	<u><b>3,197,866</b></u>	<u><b>2,461,023</b></u>

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 3 months	2,211,642	2,022,138
3 months to 12 months	851,606	260,230
Over 12 months	<u>134,618</u>	<u>178,655</u>
	<u><b>3,197,866</b></u>	<u><b>2,461,023</b></u>

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

## **10 DIVIDENDS**

Final dividend of RMB235,891,000 in relation to the year ended 31 December 2020 was paid in 2021 (final dividend of RMB364,380,000 in relation to the year ended 31 December 2019 was paid in 2020).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

### FINANCIAL REVIEW

#### Revenue

During the first half of 2021, with novel coronavirus (“COVID-19”) pandemic largely under control, China’s domestic economy along with global economic activities and international trading activities recovered. Moreover, with many of the travel restrictions relaxed in the period, production process at our facilities as well as construction at client’s properties were largely normalised, benefited from which, the Group’s three business segments grew steadily during the period. As a result, the Group’s consolidated revenue for the first half of 2021 rebounded by 49.3% to RMB7,940,016,000 (corresponding period in 2020: RMB5,319,352,000). The performance of each segment is discussed below:

Driven by favourable government policies, the demand for energy transportation equipment and storage equipment increased significantly. The clean energy segment’s revenue for the first half of 2021 surged by 48.7% to RMB4,452,048,000 (corresponding period in 2020: RMB2,993,243,000). With the good control of the pandemic in the second quarter, China’s social economy has grown rapidly, and strong internal demand promotes the consumption of coal, natural gas and electricity. Driven by this, the sales of LNG cryogenic transportation vehicles, LNG tank containers, LPG vehicles and spherical tanks increased. The segment remains the top grossing segment and contributed 56.1% (corresponding period in 2020: 56.3%) of the Group’s total revenue.

The recovery of international trade due to the relief of the COVID-19 pandemic and a significant increase in prices of chemicals and derivatives have spurred the demand for chemical tank containers in the period; therefore the chemical and environmental segment’s revenue posted a rise of 42.1% to RMB1,523,254,000 (corresponding period in 2020: RMB1,072,219,000). The segment made up 19.2% of the Group’s total revenue (corresponding period in 2020: 20.2%).

As COVID-19 related restrictions eased off in most countries in the first half of 2021, the liquid food segment’s operations (especially on-site construction works) are mostly back on schedule. Moreover, benefiting from the increase of newly signed orders, the liquid food segment’s revenue saw an increase of 42.6% to RMB1,457,118,000 during the period (corresponding period in 2020: RMB1,021,611,000). The segment accounted for 18.4% of the Group’s total revenue (corresponding period in 2020: 19.2%).

## **Gross profit margin and profitability**

The clean energy segment's gross profit margin ("GP margin") improved slightly, which was mainly due to better economies of scale triggered by an increase in the production of energy transportation equipment. During the period, the GP margin of chemical and environmental segment declined slightly, which was mainly due to depreciation of USD against RMB. As the segment's key products, tank containers, are mostly denominated in USD and its depreciation in turn lowers the revenue reported in RMB. Due to the effective cost control of the Latin American projects and the higher gross margin of the hard seltzers equipment, the GP margin of the liquid food segment recorded a promising growth.

As both clean energy and liquid food segments' GP margins improved, offsetting the decline in chemical and environmental segment's GP margin, causing the Group's overall GP margin to increase by 0.7 percentage point to 14.9% (corresponding period in 2020: 14.2%).

Profit from operations expressed as a percentage of revenue rose by 1.1 percentage points from 5.4% in the same period last year to 6.5% during the current period which was mainly due to the improved GP margin while the Group's operating expenses did not increase at the same rate as gross profit did.

During the period, income tax expense increased by 55.1% to RMB97,970,000 (corresponding period in 2020: RMB63,170,000) which is largely in line with the rebound in Group's turnover. On the other hand, the effective tax rate declined from 23.5% in the same period of 2020 to 20.2% in the current period which was mainly attributable to lower amount of unutilised tax losses as new subsidiaries started turning profitable during the period.

## **Liquidity and financial resources**

At 30 June 2021, the cash and cash equivalents of the Group amounted to RMB2,130,233,000 (31 December 2020: RMB2,560,890,000). A portion of the Group's bank deposits totaling RMB439,880,000 (31 December 2020: RMB309,498,000), which had a term of maturity more than three months from the date of their initial placement, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from related parties as they fall due, and has continued to take a prudent approach in future development and capital expenditure. The Group has consistently been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2021, the Group's bank loans and overdrafts amounted to RMB563,901,000 (31 December 2020: RMB295,937,000), other than the term loans with tenors of three years for business development and working capital, the remaining is repayable within one year. Apart from the term loan as well as revolving banking facilities which are denominated in USD and HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 1.192% to 4.50% per annum.

At 30 June 2021, the Group did not have any secured bank loan (31 December 2020: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (31 December 2020: nil). As at 30 June 2021, loans from related parties amounted to RMB720,348,000 (31 December 2020: RMB667,506,000), which are unsecured, interest bearing from 3.85% to 4.75% (31 December 2020: 3.80% to 4.75%) 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 2020: zero times) as the Group retained a net cash balance of RMB1,272,741,000 (31 December 2020: RMB1,857,297,000). The decrease in net cash balance is mainly attributable to outflow from operating and investing activities but offset to some extent by the inflow from financing activities.

Despite an increased revenue, the Group recorded an outflow from operating activities of RMB408,780,000 (corresponding period in 2020: inflow of RMB227,466,000) mainly caused by increased level of inventories and contract assets. In response to the influx of orders for the Group's products (such as tank containers and LEG carriers) and after taking into consideration of the trend of rising stainless steel price and delays in shipping caused by measures to contain COVID-19, the Group has decided to adopt a more pro-active strategy by procuring ahead of the normal production cycle. These measures have effectively curbed the rise in production costs. Nevertheless, the Company believes an operating cash outflow is not a recurring situation. The Company is confident that by consistently applying the right measures and controls, the Company will maintain a net operating cash inflow over the long run.

The net cash used in investing activities amounted to RMB137,624,000 (corresponding period in 2020: RMB214,663,000). This is mainly attributable to the acquisition of non-current assets for production and operation which amounted to RMB204,509,000 (corresponding period in 2020: RMB162,161,000), and acquisition of subsidiaries totalling RMB29,672,000 (corresponding period in 2020: RMB52,280,000).

During the period, the net cash generated from financing activities amounted to RMB127,414,000 (corresponding period in 2020: outflow of RMB217,585,000). This is mainly due to the net drawdown of bank loans and loans from related parties amounted to an inflow of RMB320,805,000 (corresponding period in 2020: net inflow of RMB193,676,000) and cash inflow from disposal of unvested shares under the 2018 Restricted Share Award Scheme of RMB102,782,000 (corresponding period in 2020: nil). These inflows were however offset to a certain extent by the payment of final dividend for 2020 of RMB235,891,000 (corresponding period in 2020: RMB364,380,000).

As a result, the cash outflow of the Group during the period totalled RMB418,990,000 (corresponding period in 2020: RMB204,782,000).

The Group's interest coverage was 17.5 times for the period (corresponding period in 2020: 14.5 times) which demonstrates the Group is fully capable of meeting its interest expense obligations. While the general economic outlook has improved and the Group is still in a stable financial position and able to fulfill its interest obligations, the Group will continue with a responsible approach in managing its cash resources.

### **Assets and liabilities**

At 30 June 2021, total assets of the Group increased from RMB16,074,720,000 (at 31 December 2020) to RMB17,627,726,000. Non-current assets increased by RMB115,204,000 and current assets by RMB1,437,802,000. At 30 June 2021, total liabilities of the Group increased by RMB1,198,284,000 to RMB9,801,646,000 (31 December 2020: RMB8,603,362,000). The net asset value increased by RMB354,722,000 to RMB7,826,080,000 (31 December 2020: RMB7,471,358,000) which was mainly attributable to the net profit of RMB386,305,000 during the period. As total liabilities increased at a faster rate than total assets, the Group's debt to asset ratio increased slightly to 55.6% at 30 June 2021 from 53.5% at 31 December 2020. While the net asset value per share increased slightly to RMB3.870 at 30 June 2021 from RMB3.715 at 31 December 2020.

### **Contingent liabilities**

At 30 June 2021, the Group had outstanding balance of guarantees issued by relevant banks totaling RMB587,899,000 (31 December 2020: RMB771,653,000). Save as disclosed above, 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 some extent by bank loans and loans from related parties. 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 2021, the Group had contracted but not provided for capital commitments of RMB106,134,000 (31 December 2020: RMB40,049,000), while the Group did not have any authorised but not contracted for capital commitments (31 December 2020: 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 dollar 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 can enter into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

## **Capital expenditure**

In the first half of 2021, the Group invested RMB251,767,000 (corresponding period in 2020: RMB229,981,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures.

## **Employees and Remuneration Policies**

At 30 June 2021, the total number of employees of the Group was approximately 9,700 (corresponding period in 2020: approximately 9,800). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB920,890,000 (corresponding period in 2020: RMB773,483,000). The rise in total staff costs were mainly attributable to the rebound in production level during the period.

In April 2020, the Company adopted the Share Award Scheme 2020 (the “**Scheme**”) and has purchased the Company's own shares on the market since then. However, no shares have been granted to any employees as of the date of this announcement.

Save as disclosed above, there have been no material changes in respect of employee incentive and bonus policies, the share option scheme, restricted share award scheme and training scheme as disclosed in Annual Report 2020.

## **Business Review by segments**

### **Clean Energy**

This segment, which is the largest revenue contributor to the Group, specialises in the manufacture, sale, operation and service of a wide range of equipment and construction for the storage, transportation, processing and distribution of natural gas (in the form of liquefied natural gas (“**LNG**”), compressed natural gas (“**CNG**”), liquefied petroleum gas (“**LPG**”) and hydrogen (in the form of high pressure gaseous and liquid). This segment also provides engineering, procurement and construction (“**EPC**”) services for clean energy industries, such as LNG plants, LNG and liquefied ethylene/ethane gas (“**LEG**”) receiving terminals, hydrogen refueling stations, etc. In addition, this segment is also engaged in the design, production and sale of small and medium-sized liquefied gas carriers, such as LPG, LNG and LEG carriers, LNG powered ship fuel supply systems and oil and gas modules. This segment provides value-added services such as data services, intelligent IOT, intelligent operation and real-time monitoring for the clean energy industry based on the IOT intelligent operation management platform.



With China's effective control of the COVID-19 pandemic, the domestic industrial and commercial sectors have ushered in a full recovery. Driven by both emission peak target and economic recovery, natural gas consumption increased steadily. According to the data released by National Bureau of Statistics, in the first half of 2021, China's natural gas production was 104.5 billion m<sup>3</sup>, representing an increase of 10.9% year-on-year ("YoY"); the total volume of imported natural gas was 82.55 billion m<sup>3</sup>, representing an increase of 23.8% YoY; the apparent consumption of natural gas was 182.7 billion m<sup>3</sup>, representing an increase of 17.4% YoY. According to the data of Zhongyu Information, the average market price of LNG in the first half of 2021 was RMB3,969.55 per tonne, representing an increase of RMB831.51 per tonne or 26.49% YoY.

With the support of industrial coal-to-gas conversion and urban gas peak-shaving and supply assurance, the demand for LNG storage tanks grew rapidly; benefiting from the policy of "Rural Revitalization", the construction of LPG micro grid accelerated, and the sales of LPG spherical tanks and other related equipment was strong during the period. In connection with transportation equipment business, the sales volume of LNG tank containers and LNG trailers have increased; the recovery of the global oil products market has increased the utilisation rate of oil refineries, driving the demand for LPG trailers and LPG carriers. In terms of downstream application, China has implemented the China VI Emission Standards for diesel heavy-duty trucks since 1 July 2021. Heavy-duty truck manufacturers focused on selling the inventory of China V standard diesel heavy-duty trucks. In the first half of this year, the sales volume of China V diesel heavy-duty trucks was considerable. In addition, the high LNG price partially weakened the economic benefits of LNG heavy-duty trucks. In the first half of 2021, the sales of LNG heavy-duty trucks in the Chinese market decreased by approximately 45% YoY, resulting in a decrease in the overall demand for LNG cylinders and a YoY decrease in the sales volume of LNG cylinders of the Group. However, with the full implementation of the China VI Standard, the gap of the selling price between LNG heavy-duty trucks and diesel heavy-duty trucks is expected to narrow. In the long run, the economic and environmental advantages of LNG heavy-duty trucks will still be maintained; on the other hand, the demand for industrial gas increased due to the recovery of manufacturing industry, and the demand for cryogenic small storage tanks increased significantly. During the period under review, we actively explored the upstream area of LNG extraction and hydrogen energy industry chain, and established a joint venture with Angang Energy Technology Co., Ltd. for the production of LNG and joint production of hydrogen from coke-oven gas, so as to build an end-to-end demonstrative industry ecology of clean energy resources + storage & transportation + application.

In terms of offshore liquefied gas transportation, during the period, we signed an agreement of a custom-designed 8,200 m<sup>3</sup> LNG bunkering vessel project with Italian ship owner Fratelli Cosulich Group, and entered into a letter of intent for the construction of a 7,600 m<sup>3</sup> LNG bunkering vessel with Canadian company Seaspans Ferries Corporation, further consolidating our leading position in the LNG bunkering vessel construction market in Europe and North America. In August 2021, we acquired the assets of Fengshun Ship through auction, obtained the scarce resources of the dock and wharf along the Yangtze River Route, deepened the Group's layout in the offshore clean energy industry chain, and consolidated and expanded the Group's scale and cost advantages and industry leading position in the offshore clean energy equipment manufacturing and engineering field.



During the period under review, the hydrogen business developed rapidly. We established a Type 4 on-board hydrogen cylinder and hydrogen supply system joint venture with Hexagon Purus HK Holdco AS; obtained an order for on-board hydrogen supply system amount to approximately RMB100,000,000; successfully joined the supplier list of Beiqi Foton's on-board hydrogen supply system; were included in the List of National Fuel Cell Vehicle Demonstration Enterprise (Beijing), and entered the Daxing International Hydrogen Energy Demonstration Zone. We have also achieved gratifying results in hydrogen refueling stations. In July 2021, we successfully delivered the first integrated oil, gas and hydrogen energy service station in Hebei Province (the "Rongyi Line" integrated station) to facilitate the green and low-carbon construction in Xiong'an New Area.

Revenue of this segment increased significantly by 48.7% to RMB4,452,048,000 in the first half of 2021 (corresponding period in 2020: RMB2,993,243,000).

### **Prospects**

The year 2021 marks the beginning of the "14th Five-Year Plan". Emission Peak and Carbon Neutrality targets have become the focus of domestic concern, and natural gas, as the lowest-carbon and cleaner fossil energy, plays an essential bridging role in this process. Under the construction requirements of the modern energy system, energy utilisation reform and clean and environmental protection policies have been issued frequently in various regions. On the other hand, with the launch of the national carbon trading market, many coal-fired power enterprises will accelerate the pace of low-carbon transformation. According to the National Development and Reform Commission Energy Research Institute's forecast, the proportion of renewable energy consumption will increase from 15.9% to 78% by 2050. The demand for natural gas in China will continue to grow rapidly by 2030 and is expected to peak at approximately 550 billion m<sup>3</sup> per year between 2035 and 2040, according to Wood Mackenzie Consulting. In the field of transportation application, many places have postponed the switching from diesel heavy-duty trucks to China VI Standard, and it takes time to consume the inventory of China V diesel vehicles, but with enhanced efforts in saving energy and reducing emission in China, the application of LNG heavy-duty trucks is expected to expand. Looking forward, the production, storage and transportation equipment and terminal application market of LNG are expected to continue to grow.

In the field of offshore clean energy, in order to meet the IMO's requirement of "sulfur limit order" for the shipping industry, more and more ship owners are considering the modification of clean energy power to the existing fleet. In the long run, the operating cost of LNG power is lower than the cost of using high-sulfur fuel plus desulfurisation tower or low-sulfur fuel, and has the dual advantages of economy and environmental protection. According to Clarksons' forecast, the global LNG powered fleet will reach around 7,000 by 2030. In the domestic market, in recent years, a series of policies such as "Gasification of Yangtze River", "Gasification of Pearl River" and priority for LNG powered ships to pass ship locks in various regions have been introduced. According to the "National Plan for Distribution of Coastal and Inland Waterway LNG Terminals (2035)", China will build six LNG inland receiving terminals, which is expected to require more than 15 LNG distribution vessels of 30,000 m<sup>3</sup>, benefiting the small and medium-sized LNG carrier market.

Hydrogen technology has been included as one of the 18 key projects in the "14th Five-Year Plan" national key research and development plan of the Ministry of Science and Technology in China. A variety of provinces and cities have introduced supporting policies for hydrogen energy planning, while Beijing and Shanghai have clearly stated the development goals of thousands of hydrogen fuel cell vehicles by 2025. According to the "Energy-saving and New Energy Vehicle Technology Roadmap 2.0" issued by China Society of Automotive Engineers, the size of hydrogen fuel cell vehicles in China will reach 100,000 units and at least 1,000 hydrogen refueling stations will be built by 2025. As a leading on-board hydrogen supply system supplier and the only domestic manufacturer of core hydrogen equipment that can independently manufacture all sets of equipment in hydrogen refueling stations, we actively create various hydrogen application demonstration projects to facilitate the construction of a complete hydrogen energy industry chain.

Driven by the positive factors above, we are of the view that the Group's clean energy segment will benefit in general and maintain stable development trend in a long run.

### **Future plans and strategies**

Adhering to the core business of "equipment manufacturing + project engineering service + integrated solution" as the main path, the segment will actively track with national policies, and covers the entire industry value chain with natural gas and hydrogen so as to promote the achievement of national "dual carbon" goals. With a special emphasis on building full product portfolio to cover the whole LNG and LPG business chains, the segment strategically covers the core hydrogen business areas, while continuously adjusts and optimises the high-pressure equipment business including industrial gases (such as oxygen, nitrogen, argon and carbon dioxide), electron gas and CNG. We will also seize new opportunities in the development of equipment and application of hydrogen storage, distribution and refueling, unconventional natural gas processing and application equipment and offshore clean energy industry chain application.

In order to better meet the development opportunities of “Dual Circulation”, the segment actively integrated domestic and overseas energy business, focused on cultivating champion products in various sub-sectors, built EPC platform for engineering business, gradually improved after-sales service network construction, and expanded various after-sales services. At the same time, the segment kept abreast of market trends and committed to research and development and innovation, extending the existing technological advantages to the segments with huge market opportunities such as upstream hydrogen production, storage and transportation equipment of liquefied hydrogen, LPG micro grid, marine fuel oil to gas conversion for vessels and distributed energy.

## **Chemical and Environmental**

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 chemicals, gaseous chemicals and powder products; and the provision of maintenance and value-added service for tank containers. This segment is also engaged in the provision of key equipment research and development and manufacturing, and professional consulting services in relation to environmental protection.

With the COVID-19 pandemic being under effective control, global trade started to rebound. During the period, the prices of chemicals and derivatives increased significantly, the export market remained stable, the Baltic Dry Index rose sharply, reaching a record high in 11 years, the supply of chemical tank containers fell short of demand, resulting in a significant increase in both the orders on hand and newly signed orders. During the period, although the appreciation of the RMB against US dollar partly affected the growth of the segment’s US dollar revenue reported in RMB, through exchange rate hedging and other cost reduction and efficiency enhancement measures, the segment’s profitability remained relatively stable in the first half of the year. In the first half of 2021, the chemical and environmental segment’s overall revenue increased significantly by 42.1% to RMB1,523,254,000 (the corresponding period in 2020: RMB1,072,219,000). Meanwhile, the segment undertook the strategic plan of “providing customers with full life-cycle services”, actively expanded after-sales services market and intelligent product business, and incorporated CIMC Saiwei Technology Service Co., Ltd.\* (中集賽維技術服務有限公司) on 2 March 2021 to further standardise after-sales service market operation and management and control system. During the period, the electric heating system developed by the Group successfully entered the leading MDI enterprise, and obtained bulk orders, which further consolidated the segment’s leading position in the global tank container market. In terms of newly-entered environmental protection business, the internally-developed high efficiency denitrification reactor of environmental protection equipment business has passed the mid-term test and applied to the actual scene. The inorganic engineered stone products of the solid waste treatment business have been launched to the market, and other hazardous waste treatment projects are also progressing steadily.

\* *For identification purposes only*

## Prospects

China is a major producer of petrochemical products in the world and owns the largest petrochemical product market in the world. The rapid development of the petrochemical industry has significantly increased the scale of the dangerous goods logistics market. The European Chemical Industry Council forecasts that the growth of the global chemical market in the next 10 years will be mainly contributed by China, and the market share in China is expected to reach 50% in 2030. According to the data from the Dangerous Chemicals Logistics Branch of China Federation of Logistics & Purchasing, the market size of hazardous chemicals logistics in China exceeded RMB2 trillion in 2020, and is expected to reach RMB2.24 trillion by 2021.

Transportation of hazardous chemicals mainly includes road transportation, waterway transportation and railway transportation. Compared with traditional transportation methods such as tank trucks, drum barrels or bags, the transportation via tank containers has the transportation advantages of standardisation, integration and high safety, and can achieve the safe and flexible logistics transportation mode of “one container transport to the end” for highways, railways and waterways. With the gradual implementation of policy of China’s chemical logistics returning from urban areas to industrial parks and the deepening of industry standardisation, the withdrawal of small and weak industries will accelerate due to the increase compliance costs, and the proportion of chemical tank containers used in China’s chemical logistics industry is expected to increase steadily. The segment is capable of designing, manufacturing and selling a full range of tank containers, including standard liquid tank containers, special liquid tank containers, gas tank containers and powder tank containers, and is a leading enterprise with the largest production scale, the most comprehensive series, the most variety and the longest service chain of tank containers in the world. Looking forward, the segment will continue to benefit from the opportunities brought by the booming international and domestic chemical logistics markets.

In recent years, China’s environmental protection policies have gradually become more stringent, and the demand for hazardous waste disposal has accelerated. According to data from the Ministry of Ecology and Environment, the gap between the production volume and the actual treatment volume of industrial hazardous waste in large and medium-sized cities in China reached approximately 2,600 tons in 2020, and the actual treatment rate of industrial hazardous waste was only 48.6%, indicating that there is still a certain gap between the production volume and the actual treatment volume of hazardous waste. Due to unfavourable factors such as various types of hazardous waste, long construction period and incomplete technical standards, there is still a rather low degree of concentration in the hazardous waste market and the market potential is huge. In response to the demand for industrial waste treatment in China, the segment developed the manufacturing of special environmental protection equipment and actively enhanced the capability of integrated solutions for environmental protection equipment manufacturing and services. Focusing on industrial waste treatment, the segment will expand its business opportunities through waste-recycling and waste harmless treatment.

## **Future plans and strategies**

With the recovery of the global economy, the market demand for tank containers will rebound significantly. This segment will continue to increase its investment in the research and development of technology around the strategic target of transforming and upgrading to the advanced manufacturing industry, and vigorously expand the application fields of tank containers while consolidating its leading position in the tank container market. Through the establishment of all-round and full life-cycle customer partnership, upgrading of production line manufacturing capacity, modularised operation and lean management, the segment further consolidated the comprehensive competitiveness of the tank container business and maintained its leading position in the industry. While consolidating the tank equipment manufacturing business, the segment actively improved the intelligence of products, and used the IOT technology to help customers improve operational efficiency and achieve intelligent logistics. The segment will accelerate its global layout, further boost its brand recognition, enhance its competitiveness and increase its market share, while providing customers with better value-added experience service, so as to further improve customer satisfaction and loyalty.

The environmental industry that the segment is entering into is a sunrise industry integrating equipment manufacturing, engineering and operation services, with a large market size and considerable profit, especially in the sub-segment of industrial solid waste recycling and comprehensive utilisation, which has high technology and qualification barriers and huge room for development. Based on the core competence of equipment manufacturing, the chemical and environmental segment of the Group will take technological innovation in the field of environmental governance as its core competitiveness, and industrial hazardous waste and general industrial solid waste treatment as its key development direction, so as to establish the operation capability of the whole industry chain, focus on the two business dimensions of “resource utilisation + ecological environment service”, carry out large-scale, standardised and intensive development, and realise the leapfrog development of environmental business.

The Company is pursuing the spin-off and separate A-share listing of CIMC Safeway Technologies Co., Ltd. On 16 November 2020, the Hong Kong Stock Exchange granted approval to the Company to proceed with the proposed spin-off. Subsequently, an Extraordinary General Meeting was held on 21 May 2021, at which the shareholders of the Company unanimously approved the proposed spin-off. At the date of this announcement, no official listing application has yet been filed with the Shenzhen Stock Exchange. The proposed spin-off and separate A-share listing is intended to raise approximately RMB one billion for the chemical and environmental segment’s expansion plan. Details of the proposed spin-off and separate A-share listing are set out in the Company’s circular dated 23 April 2021.

## **Liquid Food**

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 dairy products; and the provision of engineering, procurement, and construction services for the brewery industry as well as other liquid food industries.

Due to the relief of the COVID-19 pandemic, the on-site construction projects involved in this segment have been progressing normally. During the period under review, a turnkey brewery project for malt-flavoured beverage and hard seltzer in USA, a process design and equipment project for a greenfield tequila distillery in Mexico, a turnkey brewery and experience centre project in Cambodia, as well as a process design and equipment project for greenfield malt and grain distillery in China have made good progress. Benefiting from the continuous growth of new orders, revenue for the first half of 2021 increased significantly by 42.6% to RMB1,457,118,000 (corresponding period of 2020: RMB1,021,611,000).

## **Prospects**

With the world's leading integrated solutions for liquid food processing equipment design, manufacturing and project engineering as its core competitiveness, the segment has gained wide recognition in various market segments such as beer, distillation, juice and dairy products by virtue of its diversified product portfolio, strong technical capabilities and excellent quality.

Despite the impact of the pandemic in Europe and the United States, the beer market demand has gradually recovered. In respect of the domestic market, according to the data from the Qianzhan Industry Research Institute, benefiting from the trend of consumption upgrade, it is expected that the size of the domestic craft beer market will reach approximately RMB87.5 billion by 2025, with a penetration rate of 11%. On the other hand, the integration of McMillan provided strong support for the development of the distillation business of this segment. As a leading supplier of copper distillers, McMillan has strong brand recognition and influence in various spirits processing equipment such as whisky and rum. While consolidating its leading position in the brewing and distillation equipment industry, the segment has been committed to exploring new areas such as hard seltzer and Baijiu to diversify its revenue. The "China Spirits Market Analysis Report 2020" released by RIES Positioning Strategy & Consulting showed that China was the world's largest alcoholic spirits market and spending on spirits in China reached RMB600 billion in 2019 with an annual consumption of approximately 5.2 billion litres. It is expected that the Chinese Baijiu market will reach RMB850 billion by 2025. The segment is focusing on promoting technological upgrade and product performance optimisation, and increasing investment in the research and development of new products and new technologies to provide customers with the most economical and innovative solutions and products, so that customers can achieve efficient, cost-effective and sustainable production with high quality and safety standards.



## **Future plans and strategies**

Looking ahead, the liquid food segment will continue to consolidate its leading position in the beer and distilling sectors, and strive to become a global leader in stainless steel storage tanks, processing equipment manufacturing and turnkey projects of various liquid food.

The segment pays close attention to the changes in market conditions, reviews and adjusts its development strategies in a timely manner, and is committed to reducing costs and developing new products such as hard seltzer equipment to expand revenue sources. Based in Europe, the segment will expand its business into various potential markets, expand its market share and enhance its position in the industry through organic growth or mergers and acquisitions. In large markets such as America, the segment will further develop its business and increase its service support to large-scale local customers.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), throughout the six months ended 30 June 2021.

The latest corporate governance report of the Company is set out in the Annual Report 2020. Details of each of the audit committee, the remuneration committee, the nomination committee and sustainable committee of the Company are also provided in the same report.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, the trustee of the Scheme purchased on the Stock Exchange a total of 2,124,000 shares for a total consideration of approximately HKD11,587,000 (equivalent to approximately RMB9,670,000) pursuant to the terms of the trust deed under the Scheme.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2021.

## **DIRECTORS**

As at the date of this announcement, the Board consists of Mr. Gao Xiang (Chairman) as non-executive Director, Mr. Yang Xiaohu (General Manager) as executive Director, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han as non-executive Directors; and Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong as independent non-executive Directors.

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

Hong Kong, 24 August 2021

*The Interim Report 2021 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.*