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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	*%*
Revenue	**6,584,418**	5,649,719	16.5%
Profit attributable to shareholders	**382,879**	308,353	24.2%
Basic earnings per share	**RMB0.196**	RMB0.159	23.3%

The Board of Directors (the "**Board**") 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 2019 together with the comparative figures for the corresponding period in 2018.

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 2019 – unaudited

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	4	**6,584,418**	5,649,719
Cost of sales		**(5,577,160)**	(4,771,067)
Gross profit		**1,007,258**	878,652
Change in fair value of derivative financial instruments		**(4,845)**	(4,319)
Other revenue		**137,672**	130,572
Other income, net		**52,992**	20,179
Net (impairment loss)/reversal of impairment provision on financial assets	5(c)	**(13,625)**	7,339
Selling expenses		**(185,846)**	(178,668)
Administrative expenses		**(487,707)**	(419,499)
Profit from operations		**505,899**	434,256
Finance costs	5(a)	**(31,452)**	(30,344)
Profit before taxation	5	**474,447**	403,912
Income tax expenses	6	**(87,014)**	(89,265)
Profit for the period		**387,433**	314,647
Attributable to:			
Equity shareholders of the Company		**382,879**	308,353
Non-controlling interests		**4,554**	6,294
Profit for the period		**387,433**	314,647
Earnings per share	7		
– Basic		**RMB0.196**	RMB0.159
– Diluted		**RMB0.193**	RMB0.157

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the period	**387,433**	314,647
Other comprehensive income for the period		
Items that may be reclassified to profit or loss		
Currency translation differences	**967**	(18,738)
Total comprehensive income for the period	**388,400**	295,909
Attributable to:		
Equity shareholders of the Company	**383,846**	289,615
Non-controlling interests	**4,554**	6,294
Total comprehensive income for the period	**388,400**	295,909

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019 – unaudited

	Note	**At 30 June 2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,007,303**	2,615,084
Right-of-use assets		**14,149**	-
Construction in progress		**253,160**	148,938
Lease prepayments		**615,142**	577,541
Intangible assets		**255,471**	204,976
Equity investments		**129,739**	129,739
Investment in associates		**15,661**	1,661
Prepayment for acquisition of equity interests		**50,000**	50,000
Goodwill		**263,999**	256,849
Deferred tax assets		**109,176**	107,333
		4,713,800	4,092,121
Current assets			
Derivative financial instruments		**438**	1,749
Inventories		**3,301,850**	3,864,951
Contract assets		**1,342,559**	787,547
Trade and bills receivables	8	**3,097,725**	3,011,733
Deposits, other receivables and prepayments		**825,448**	616,760
Amounts due from related parties		**90,346**	183,251
Restricted bank deposits		**249,206**	364,971
Cash and cash equivalents		**1,856,293**	2,930,271
		10,763,865	11,761,233
Current liabilities			
Derivative financial instruments		**7,049**	3,515
Financial liability at fair value through profit or loss		**48,000**	-
Lease liabilities		**5,598**	-
Bank loans		**177,915**	477,787
Loans from related parties		**20,000**	35,000
Other borrowings		**8,376**	8,305
Trade and bills payables	9	**2,342,218**	2,711,308
Contract liabilities		**2,715,640**	2,950,127
Other payables and accrued expenses		**1,400,207**	1,525,315
Amounts due to related parties		**133,251**	151,699
Warranty provision		**186,239**	199,902
Income tax payable		**26,405**	26,196
Employee benefit liabilities		**466**	480
		7,071,364	8,089,634
Net current assets		**3,692,501**	3,671,599
Total assets less current liabilities		**8,406,301**	7,763,720

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2019 – unaudited

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Non-current liabilities		
Bank loans	**962,458**	686,320
Non-current lease liabilities	**8,350**	–
Warranty provision	**91,793**	86,311
Deferred tax liabilities	**194,639**	169,235
Deferred income	**245,565**	248,646
Employee benefit liabilities	**4,195**	4,321
Other borrowings	**18,934**	23,093
	1,525,934	1,217,926
NET ASSETS	**6,880,367**	6,545,794
CAPITAL AND RESERVES		
Share capital	**18,270**	18,253
Reserves	**6,564,564**	6,349,454
Equity attributable to equity shareholders of the Company	**6,582,834**	6,367,707
Non-controlling interests	**297,533**	178,087
TOTAL EQUITY	**6,880,367**	6,545,794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Contributed surplus** *RMB'000*	**Capital reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**General reserve fund** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2018 (restated)	17,793	168,902	1,127,571	177,699	(320,797)	483,554	4,054,255	5,708,977	145,140	5,854,117
Profit for the period	–	–	–	–	–	–	308,353	308,353	6,294	314,647
Other comprehensive income	–	–	–	–	(18,738)	–	–	(18,738)	–	(18,738)
Total comprehensive income for the period	–	–	–	–	(18,738)	–	308,353	289,615	6,294	295,909
Issuance of shares in connection with exercise of share options	60	25,787	–	(7,515)	–	–	–	18,332	–	18,332
Transfer to retained earnings	–	–	–	(2,250)	–	–	2,250	–	–	–
Equity-settled share-based transactions	–	–	–	3,078	–	–	–	3,078	–	3,078
Transfer to general reserve fund	–	–	–	–	–	10,949	(10,949)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,231	1,231
2017 final dividend paid	–	–	–	–	–	–	(131,486)	(131,486)	–	(131,486)
Distribution to previous shareholders of Nantong Yongxin Logistics Co., Ltd under common control combination	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the Company, recognised directly in equity	60	25,787	(3,000)	(6,687)	–	10,949	(140,185)	(113,076)	1,231	(111,845)
At 30 June 2018	17,853	194,689	1,124,571	171,012	(339,535)	494,503	4,222,423	5,885,516	152,665	6,038,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for share award scheme *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	18,253	341,563	(144,977)	1,124,571	190,679	(359,486)	519,111	4,677,993	6,367,707	178,087	6,545,794
Profit for the period	–	–	–	–	–	–	–	382,879	382,879	4,554	387,433
Other comprehensive income	–	–	–	–	–	967	–	–	967	–	967
Total comprehensive income for the period	–	–	–	–	–	967	–	382,879	383,846	4,554	388,400
Issuance of shares in connection with exercise of share options	17	8,202	–	–	(2,400)	–	–	–	5,819	–	5,819
Shares held for share award scheme – vesting of awarded shares	–	35,652	42,891	–	(35,652)	–	–	–	42,891	–	42,891
Equity-settled share-based transactions	–	–	–	–	28,680	–	–	–	28,680	–	28,680
Transfer to general reserve fund	–	–	–	–	–	–	10,471	(10,471)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	37,500	37,500
2018 final dividend paid	–	–	–	–	–	–	–	(246,109)	(246,109)	–	(246,109)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,915)	(1,915)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	79,307	79,307
Total contributions by and distributions to owners of the Company, recognised directly in equity	17	43,854	42,891	–	(9,372)	–	10,471	(256,580)	(168,719)	114,892	(53,827)
At 30 June 2019	18,270	385,417	(102,086)	1,124,571	181,307	(358,519)	529,582	4,804,292	6,582,834	297,533	6,880,367

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

The consolidated results set out in this announcement are extracted from the financial statements of the Group for the six months ended 30 June 2019. The financial statements are presented in Renminbi ("RMB") unless otherwise stated.

This interim financial statements for the six months ended 30 June 2019 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 statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 16 – Leases
- Annual improvements 2015 – 2017 Cycle
- HK(IFRIC) 23 – Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9 – Prepayment Features with Negative Compensation
- Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures; and
- Amendments to HKAS 19 – Plan Amendment, Curtailment or Settlement

The adoption of the new and amended standards does not have significant impact on the interim financial statements except for HKFRS 16. Please refer to note 2(c) below.

(b) New standards and interpretations not yet adopted

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020
HKFRS 17, Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

(c) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(i) Impact on the financial statements

	2019 ***RMB'000***
Operating lease commitments disclosed as at 31 December 2018	**59,797**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**56,361**
Short-term leases and low-value leases recognised on a straight-line basis as expense	**(40,746)**
Lease liabilities recognised as at 1 January 2019	**15,615**
Of which are:	
Lease liabilities	**5,512**
Non-current lease liabilities	**10,103**

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019	1 January 2019
	RMB'000	*RMB'000*
Property and plant	**14,149**	16,667

The lease prepayment have been separately presented in the consolidated balance sheet, and has been measured according with HKFRS 16.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB16,667,000
- deposits, other receivables and prepayments – decrease by RMB1,052,000
- lease liabilities – increase by RMB15,615,000

There was no significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

3 SEGMENT REPORTING

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

- Clean energy: this segment specialises in the manufacture, sale and operation of a wide range of equipment for the storage, transportation, processing and distribution of natural gas (in form of liquefied natural gas ("LNG") and compressed natural gas ("CNG")) and liquefied petroleum gas ("LPG"). This segment also provides EPC (engineering, procurement and construction) services for clean energy industry such as LNG plants, LNG and liquefied ethylene/ethane gas ("LEG") receiving terminals. In addition, this segment is also engaged in the design, production and sales of small and medium-sized liquefied gas carriers, such as LPG, LNG and LEG carriers, LNG-powered ship fuel supply system and offshore modules. Provision of value-added services for clean energy industry also forms part of this segment's business.

- 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 service and value-added service for tank containers. This segment is also engaged in the provision of eco-friendly storage equipment and solid waste management system.

- 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.

(a) Segment results, assets and liabilities

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

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

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

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

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

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

	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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**3,120,071**	2,516,134	**1,932,867**	1,699,997	**1,507,136**	1,410,177	**6,560,074**	5,626,308
Inter-segment revenue	**932**	1,708	**12,471**	39,866	**–**	–	**13,403**	41,574
Reportable segment revenue	**3,121,003**	2,517,842	**1,945,338**	1,739,863	**1,507,136**	1,410,177	**6,573,477**	5,667,882
Timing of revenue recognition								
At a point in time	**2,384,695**	2,040,453	**1,945,338**	1,739,863	**–**	–	**4,330,033**	3,780,316
Over time	**736,308**	477,389	**–**	–	**1,507,136**	1,410,177	**2,243,444**	1,887,566
Reportable segment profit (adjusted profit from operations)	**185,489**	113,395	**307,400**	207,758	**132,196**	153,975	**625,085**	475,128

	Clean energy		**Chemical and environmental**		**Liquid food**		**Total**	
	At 30 June 2019	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**10,159,798**	9,871,736	**2,186,866**	2,375,174	**2,915,041**	3,087,411	**15,261,705**	15,334,321
Reportable segment liabilities	**4,402,359**	4,702,290	**866,745**	1,299,790	**1,962,696**	2,250,282	**7,231,800**	8,252,362

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**6,573,477**	5,667,882
Elimination of inter-segment revenue	**(13,403)**	(41,574)
Unallocated revenue	**24,344**	23,411
Consolidated revenue	**6,584,418**	5,649,719

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**625,085**	475,128
Elimination of inter-segment profit	**(5,725)**	–
Reportable segment profit derived from the Group's external customers	**619,360**	475,128
Finance costs	**(31,452)**	(30,344)
Unallocated operating expenses	**(113,461)**	(40,872)
Consolidated profit before taxation	**474,447**	403,912

	At 30 June	At 31 December
	2019	2018
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**15,261,705**	15,334,321
Elimination of inter-segment receivables	**(200,023)**	(213,783)
	15,061,682	15,120,538
Deferred tax assets	**109,176**	107,333
Unallocated assets	**306,807**	625,483
Consolidated total assets	**15,477,665**	15,853,354

	At 30 June	At 31 December
	2019	2018
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**7,231,800**	8,252,362
Elimination of inter-segment payables	**(200,023)**	(213,783)
	7,031,777	8,038,579
Income tax payable	**26,405**	26,196
Deferred tax liabilities	**194,639**	169,235
Unallocated liabilities	**1,344,477**	1,073,550
Consolidated total liabilities	**8,597,298**	9,307,560

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.

4 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:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Sales of goods	**4,340,974**	3,762,153
Revenue from project engineering contracts	**2,243,444**	1,887,566
	6,584,418	5,649,719

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest on loans, lease liabilities and other borrowings	**22,895**	27,792
Bank charges	**8,557**	2,552
	31,452	30,344

(b) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**120,922**	112,958
Depreciation of right-of-use assets	**2,519**	–
Amortisation of intangible assets	**17,758**	17,196
Amortisation of lease prepayments	**7,671**	7,022
Reversal of write-down of inventories	**(8,625)**	(2,970)
Research and development costs	**125,015**	84,959
Operating lease charges for property rental	**12,132**	12,520
Provision for product warranties	**31,030**	43,581
Equity-settled share-based payment expenses	**28,680**	3,078

(c) Net (impairment loss)/reversal of impairment provision on financial assets

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Impairment provision for trade receivables	**(24,989)**	(9,088)
Reversal of impairment provision for trade and other receivables	**11,364**	16,427
	(13,625)	7,339

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**73,873**	87,771
Deferred income tax	**13,141**	1,494
	87,014	89,265

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

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

Pursuant to the Tax Law, "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which certain foreign subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the six months ended 30 June 2019, no deferred withholding tax was provided for the distributable profits of PRC subsidiaries.

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

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:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**382,879**	308,353

	Six months ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,957,822,779**	1,944,860,751
Effect of dilutive potential ordinary shares and restricted shares in respect of the Company's share options scheme and restricted share award scheme	**23,246,269**	23,028,071
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,981,069,048**	1,967,888,822

8 TRADE AND BILLS RECEIVABLES

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

	At 30 June	At 31 December
	2019	2018
	RMB'000	*RMB'000*
Current	**2,113,678**	1,888,773
Less than 3 months past due	**351,533**	665,305
More than 3 months but less than 12 months past due	**345,163**	176,244
More than 1 year but less than 2 years past due	**113,398**	134,326
More than 2 years but less than 3 years past due	**78,434**	51,898
More than 3 years past due	**95,519**	95,187
Amounts past due	**984,047**	1,122,960
	3,097,725	3,011,733

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

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

9 TRADE AND BILLS PAYABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade creditors	**2,100,822**	2,233,046
Bills payables	**241,396**	478,262
	2,342,218	2,711,308

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

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 3 months	**1,805,291**	2,210,205
3 months to 12 months	**266,589**	305,635
Over 12 months	**270,338**	195,468
	2,342,218	2,711,308

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

10 DIVIDENDS

Final dividend of RMB246,109,000 in relation to the year ended 31 December 2018 was paid in 2019 (Final dividend of RMB131,486,000 in relation to the year ended 31 December 2017 was paid in 2018).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

Product portfolio and Brands

The three business segments of the Group are mainly comprise the following products under different brand names:

Clean energy: this segment specialises in the manufacture, sale and operation of a wide range of equipment for the storage, transportation, processing and distribution of natural gas (in form of liquefied natural gas ("**LNG**") and compressed natural gas ("**CNG**")) and liquefied petroleum gas ("**LPG**"). This segment also provides EPC (engineering, procurement and construction) services for clean energy industry such as LNG plants, LNG and liquefied ethylene/ethane gas ("**LEG**") receiving terminals. In addition, this segment is also engaged in the design, production and sales of small and medium-sized liquefied gas carriers, such as LPG, LNG and LEG carriers, LNG-powered ship fuel supply system and offshore module. Provision of value-added services for clean energy industry also forms part of this segment's business.

The Group uses several brand names within this segment, such as "**Enric**", "**Sanctum**", "**Hongtu**", "**CIMC Tank**", "**Hashenleng**", "**YPDI**", "**CIMC SOE**" and "**Anjiehui**".

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 service and value-added service for tank containers. This segment is also engaged in the provision of eco-friendly storage equipment and solid waste management system.

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

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.

These products and services are branded under the names "**Ziemann Holvrieka**", "**Briggs**" and "**DME**".

Revenue

The continuous growth in the consumption of natural gas in China boosted the demand for clean energy segment's application equipment for the first half of 2019. The chemical and environmental segment also posted an increase in revenue due to increase in sales volume and appreciation of USD during the period. At the same time, the liquid food segment recorded a revenue growth due to increased order intake from previous years and the acquisition the DME business. While the unallocated revenue remained stable during the period at RMB24,344,000 (corresponding period in 2018: RMB23,411,000) which accounted for 0.3% of the Group's revenue (corresponding period in 2018: 0.4%). As a result, the revenue for the first half of 2019 rose by 16.5% to RMB6,584,418,000 (corresponding period in 2018: RMB5,649,719,000). During the period, the Group acquired the DME business and 65.09% equity of a company located in Ningxia, these two subsidiaries contributed RMB36,822,000 revenue. The performance of each segment is discussed below:

During the first half of 2019, the clean energy segment's revenue rose by 24.0% to RMB3,120,071,000 (corresponding period in 2018: RMB2,516,134,000) mainly because of a rise in turnover of application equipment such as on-vehicle LNG fuel tanks, on-board LNG fuel tanks for vessels and CNG refuelling stations. The segment remains the top grossing segment and accounted for 47.4% (corresponding period in 2018: 44.5%) of the Group's total revenue.

The chemical and environmental segment's revenue experienced an increase of 13.7% to RMB1,932,867,000 (corresponding period in 2018: RMB1,699,997,000) due to an increase in volume of tank containers and the appreciation of USD. The segment made up 29.4% of the Group's total revenue (corresponding period in 2018: 30.1%).

The liquid food segment's revenue posted a slight rise of 6.9% to RMB1,507,136,000 during the period (corresponding period in 2018: RMB1,410,177,000) mainly due to increased order intake from previous year and to some extent as well as the acquisition of DME business. The segment accounted for 22.9% of the Group's total revenue (corresponding period in 2018: 25.0%).

Gross profit margin and profitability

The clean energy segment's gross profit margin ("**GP margin**") fell to 14.3% (corresponding period in 2018: 15.0%). The fall is mainly due to the lower GP margin for liquefied gas vessels comparing with last year, rise in cost of production of LNG trailers due to lack of economies of scale during the period and the new businesses' GP margins are below the segment's average. Nevertheless, this was mitigated by growth in GP margins of on-vehicle LNG fuel tanks and a few other products during the period. As for the chemical and environmental segment, its GP margin saw a slight boost from 14.7% in the same period last year to 15.4% during the period which was caused by the rise in USD exchange rate while this offset impact of the competitive strategy of lowering the tank containers' average selling price ("**ASP**"). As the segment's key products, tank containers, are mostly denominated in USD and the appreciation of USD in turn raised the revenue reported in RMB; thus offsetting the impact of lower ASPs. The GP margin for liquid food segment stayed stable at 17.0% during the period. The Liquid Food segment's EPC projects' revenue and cost are recognised at the budgeted GP margin according to their percentage of completion. On completion of a project, which usually occurs in the second half of the year, the actual costs incurred will be measured against the budgeted cost and any unused warranty provision will be reversed that causes the GP margin to increase in the second half of the year. During the current period, the segment recorded GP margin within the normalised range of 17% to 19%.

While the chemical and environmental segment's GP margin rose, the slightly fall of both clean energy and liquid food segments' GP margins caused the Group's overall GP margin to drop by 0.3 percentage point to 15.3% (corresponding period in 2018: 15.6%).

Profit from operations expressed as a percentage of revenue remained stable at 7.7% (corresponding period in 2018: 7.7%) despite a slight decline in GP margin and the rise in certain operating expenses, their effects on profitability was offset by the increase in other revenue and other net income during the period.

During the period, reversal of overprovision of tax expense in previous year and utilisaion of deductible tax losses caused the effective tax rate of the Group to decline to 18.3% in the first half of 2019 (corresponding period of 2018: 22.1%).

FINANCIAL REVIEW

Liquidity and financial resources

At 30 June 2019, the cash and cash equivalents of the Group amounted to RMB1,856,293,000 (31 December 2018: RMB2,930,271,000). A portion of the Group's bank deposits totalling RMB249,206,000 (31 December 2018: RMB364,971,000), which had more than three months of maturity at acquisition, 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. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2019, the Group's bank loans and overdrafts amounted to RMB1,140,373,000 (31 December 2018: RMB1,164,107,000), other than syndicated bank loan and term loan with tenors of three years for business development and working capital, the remaining is repayable within one year. Apart from the syndicated bank loan denominated in USD and the term loan 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 3.69% to 7.60% per annum. At 30 June 2019, the Group had a secured bank loan of RMB110,000,000 (31 December 2018: Nil) but did not have any bank loan that was guaranteed by the Company's subsidiaries (31 December 2018: Nil). As at 30 June 2019, loans from related parties amounted to RMB20,000,000 (31 December 2018: RMB35,000,000), which are unsecured, interest bearing from 4.2% to 5.44% (31 December 2018: 1.75% to 4.44%) 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 2018: zero times) as the Group retained a net cash balance of RMB945,126,000 (31 December 2018: RMB1,731,164,000). The decrease in net cash balance is mainly attributable to an increase in outflow for operation amounted to RMB296,124,000 (corresponding period in 2018, net cash generated: RMB267,473,000). This is mainly due to contract assets for EPC projects' rose by RMB555,012,000 from 31 December 2018 to RMB1,342,559,000 as at 30 June 2019, which caused an operation net cash outflow of RMB555,012,000 for the period. Revenue will be recognised in the second half of this or next year upon completion of the EPC projects, and will generate operation cash inflow. In addition, trade and bills payable decreased by RMB369,090,000 from 31 December 2018 to RMB2,342,218,000 as at 30 June 2019, which caused an operation net cash outflow during the period. This is mainly attributable to bills payable of RMB236,866,000 being due and paid before 30 June 2019. In the second half of 2019, the Company will tighten its control on payables. The Company is confident that by exercising 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 RMB258,613,000 (corresponding period in 2018: RMB267,569,000). This is mainly attributable to the acquisition of non-current assets for production and operation which amounted to RMB157,747,000, and acquisition of subsidiaries and capital contribution to an associate totaling RMB132,558,000. The net cash used in financing activities amounted to RMB527,633,000 (corresponding period in 2018, net cash generated: RMB99,742,000). This is due to the Group repaid bank loans amounted to RMB614,284,000 (after drawdown of bank loans, net repayment of bank loans amounted to RMB279,730,000, corresponding period in 2018: net drawdown of RMB19,250,000). During the period, final dividends paid to the Company's shareholders amounted to RMB246,109,000, increased by RMB114,623,000 compared with corresponding period in 2018, which lead to a net financing cash outflow. As a result, the cash outflow of the Group during the period totaling RMB1,082,370,000 (corresponding period in 2018, net cash generated: RMB99,646,000). The Group's interest coverage was 21.7 times for the period (corresponding period in 2018: 15.6 times) which represents an improvement that demonstrates the Group is fully capable of meeting its interest expense obligations.

Assets and liabilities

At 30 June 2019, total assets of the Group decreased by RMB375,689,000 to RMB15,477,665,000 (31 December 2018: RMB15,853,354,000). Non-current assets increased by RMB621,679,000, current assets decreased by RMB997,368,000, cash and cash equivalent decreased significantly. At 30 June 2019, total liabilities of the Group decreased by RMB710,262,000 to RMB8,597,298,000 (31 December 2018: RMB9,307,560,000). The net asset value increased by 5.1% to RMB6,880,367,000 (31 December 2018: RMB6,545,794,000). It was mainly attributable to net profit of RMB387,433,000 during the period. As the total liabilities decreased and the net assets increased, the Group's debt to asset ratio reduced to 55.5% (31 December 2018: 58.7%). As a result, the net asset value per share increased to RMB3.442 at 30 June 2019 from RMB3.278 at 31 December 2018.

Contingent liabilities

At 30 June 2019, the Group had outstanding balance of guarantees issued by relevant banks totaling RMB579,727,000 (31 December 2018: RMB1,093,141,000).

CIMC Enric Investment Holdings (Shenzhen) Ltd. ("**EIHL**") received certain litigation papers including notification calling for responses to the action and summons served by a court in Jiangsu Province in December 2018, where SOEG PTE LTD ("**SOEG**") claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in Nantong SinoPacific Offshore & Engineering Co., Ltd 南通太平洋海洋工程有限公司 (now known as Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd 南通中集太平洋海洋工程有限公司) from SOEG in 2015. After considering the current status of the litigation and opinion from independent legal counsels, no provision was considered necessary for the litigation claims as at 30 June 2019.

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

At 30 June 2019, the Group had contracted but not provided for capital commitments of RMB112,824,000 (31 December 2018: RMB93,485,000), while the Group did not have any authorised but not contracted for capital commitments (31 December 2018: 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 2019, the Group invested RMB290,305,000 (corresponding period in 2018: RMB270,184,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The clean energy segment, chemical and environmental segment, liquid food segment and the unallocated invested RMB202,158,000, RMB55,691,000, RMB32,055,000 and RMB401,000 respectively in capital expenditure during the period.

Employees and remuneration policies

At 30 June 2019, the total number of employees of the Group was approximately 10,000 (corresponding period in 2018: approximately 9,800). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB864,635,000 (corresponding period in 2018: RMB821,874,000).

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 2018.

PROSPECTS

Clean Energy

Prospect

Natural gas is a critical start point for effectively controlling atmospheric haze and promoting the development of China's energy production and consumption revolution. Currently natural gas only accounts for 7.8% of primary energy consumption in China. Pursuant to "13th Five-Year Plans for the Development of Natural Gas" (《天然氣發展「十三五」規劃》) and "Opinion on Expediting the Use of Natural Gas" (《加快推進天然氣利用的意見》), natural gas will be gradually developed as a major clean renewable energy source in China. The proportion of natural gas in the primary energy consumption structure is targeted to reach 10% in 2020 and 15% in 2030 respectively.

According to the data from National Development and Reform Commission (NDRC), growth in China's natural gas consumption remained steady in the first half of 2019, with apparent natural gas consumption amounted to 149.3 billion cubic metres, representing a year-on-year growth of 10.8%. In order to ensure stable energy supply during peak seasons and improve flexibility, China will further strengthen its energy reserve and improve construction of infrastructures for storage and transportation. In addition, according to "Notice Concerning Energy Peak-Shaving in Summer 2019" (《關於做好2019年能源迎峰度夏工作的通知》) announced by NDRC on 25 June 2019, NDRC has officially recognised LNG tanks as gas storage peak-shaving facilities.

In view of International Maritime Organization (IMO)'s environmental policy to be implemented in 2020, an increasing number of vessels use LNG as clean energy to fulfil the emission requirement. Therefore, there is a positive market demand for LNG bunkering vessels, LNG carriers, modification of LNG powered ships, marine fuel tanks and gas supply system.

Driven by the positive factors above, we are of the view that the Group's clean energy segment will benefit as a whole and maintain stable and rapid development 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 strategically covers the entire natural gas industry value chain, with a special emphasis on building full product portfolio to cover the whole LNG and LPG business chains, while continuously adjusts and optimizes the high-pressure equipment business (hydrogen, electron gas and CNG) with a view to seizing new opportunities in the development of unconventional natural gas processing and applications equipment and offshore LNG applications.

In the meantime, to seize opportunities arising from the growing trend of low-carbon economy and accelerated pace of clean energy application around the world, the segment will further integrate its overseas energy business and commit greater resources to the clean energy sector, such as marine gas storage and transportation, LNG powered ships, marine fuel tanks gas supply system, intelligent products and after-sales services, electronic gas containers, hydrogen energy exploration and utilisation. The segment also considers cooperation with leading companies in the industry to gain new growth opportunities.

Chemical and Environmental

Prospect

In the past few years, global leasing companies have invested heavily in chemical tank containers, resulting in high demands for the product. There is an organic growth and replacement growth in the demand of tanks. Although the actual demand might vary from year to year, the overall demand is expected to remain generally stable. In the long run, with the gradual stabilization of global economy and the development of emerging markets, the global chemical industry is expected to sustain a stable growth over the longer term. Moreover, as the number of new chemicals and derivatives continue to emerge in line with developments in the chemical industry, the market for special tank containers is expected to have a significant growth.

Currently, the markets of developed countries in Europe and the USA have completed the transition to a stage of stable growth, while the demand for tank containers in emerging markets will experience gradual growth due to the replacement and upgrade of traditional transportation modes for local chemical sectors, as well as high concern for safe, efficient and eco-friendly transportation of hazardous goods. These will drive the sustained growth of the global tank container market. In conclusion, the green logistics mode with safer, more economical, more environmental friendly and smarter applications will become the new market trend.

Despite the challenges driven from Sino-US trade frictions, in general tank containers is not listed by US. Gov, as the target product subject to additional tariff and it remains as zero tariff so far.

Future plans and strategies

The Group's chemical and environmental segment will continue to enhance R&D and market development. On top of cementing our leading position in the market for standard tank containers, we will endeavour to develop special tank containers. Through the creation of a mutually beneficial, efficient and high-quality supply chain, development of partnerships with customers on all fronts throughout the entire service cycle, comprehensive upgrades in manufacturing capabilities and other initiatives, we will further strengthen our core competitiveness in the tank container business and maintain our leading position in the industry. While consolidating the tank equipment manufacturing business, the segment will also actively strive to introduce intelligent features to its products, aiming to help customers enhance their operating efficiency and materialize intelligent logistics with the use of internet of things.

This segment endeavours to enter the environmental industry – an emerging industry that integrates equipment manufacturing, engineering and operation services, which has large market potentials and considerable profitability. In particular, the field of industrial solid waste recycling and comprehensive utilisation, which has high entry barrier in terms of technology and qualification, presents an enormous potential for development. Benefiting from the accelerated urbanisation and implementation of environmental protection policies, the entire waste disposal market is under-represented. Most of domestic waste disposal companies are private enterprises which have limited treatment capacity and low utilisation of waste resources. Companies with advanced technology, professional operational strengths and focus on utilisation of waste resources will have strong competitive and alternative advantages.

Liquid Food

Prospect

Through the renowned brands of "Ziemann Holvrieka", "Briggs" and "DME" the Group's Liquid food segment possesses competitive strengths which are derived from its world-leading capabilities in design, manufacture and project engineering of breweries, brewery equipment and distilleries, proven business results and global brand influence. Meanwhile, the diverse geographic locations of production facilities in Europe and China have afforded a solid ability in global coordination over production, procurement, operation and regional marketing.

The acquisition of Briggs Group Limited in 2016, with headquarters located in the UK, strengthened the segment's design and process capabilities in breweries, pharmaceutics and distilleries. Integration of Briggs has proven to be successful, already resulting in projects with an extended scope in the distilling and pharmaceutical markets of North and South Americas as well as China. The segment will continue to actively explore business development in these markets in the future, striving to generate more opportunities for revenue and profit growth. In addition, the purchase of the selected assets of the DME Group on 5 March 2019 strengthens the segment's position in supplying the craft beer industry.

Future Plans and Strategic

In the future, the liquid food segment will expand globally and diversify to equipment and project engineering for the manufacturing of food items other than beer, following a two-dimensional approach covering vertically beer production and horizontally other liquid food businesses, leveraging its core technologies and strengths in EPC contracting.

The liquid food segment constantly reviews and develops its strategy, to gain opportunities in which it can excel and enhance its business position. For vertical diversification, the segment continues to enhance its capabilities to offer turnkey solutions for brewing and strives to develop and deliver such services and products to our customers. For horizontal diversification, the segment strives to proactively develop businesses for other liquid food industries apart from beer, such as juice storage, transportation and dairy product processing.

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 2019.

The latest corporate governance report of the Company is set out in the Annual Report 2018. Details of each of the audit committee, the remuneration committee and the nomination committee of the Company are also provided in the same report.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

As at the date of this announcement, the Board consists of Mr. Gao Xiang (Chairman), Mr. Yang Xiaohu (General Manager), 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, 22 August 2019

The Interim Report 2019 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.