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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 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2022 (<i>unaudited</i>)	2021 (<i>unaudited</i>)	
Revenue (<i>RMB'000</i>)	8,948,693	7,940,016	12.7%
Net profit (<i>RMB'000</i>)	453,619	386,305	17.4%
Profit attributable to shareholders (<i>RMB'000</i>)	439,315	383,411	14.6%
Core profit* (<i>RMB'000</i>)	531,831	395,441	34.5%
Basic earnings per share (<i>RMB</i>)	0.219	0.195	12.3%
Gross profit margin	15.9%	14.9%	+1.0ppt

* Core profit – Profit for the six months ended 30 June but stripping out amortisation of share base incentive scheme expense and convertible bonds related finance expenses

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 2022 together with the comparative figures for the corresponding period in 2021.

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022 – unaudited

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3 & 4	8,948,693	7,940,016
Cost of sales		<u>(7,525,575)</u>	<u>(6,759,415)</u>
Gross profit		1,423,118	1,180,601
Other operating income		99,865	88,053
Other gains, net		26,065	24,423
Net impairment loss on financial assets	5(c)	(40,169)	(17,780)
Selling expenses		(161,271)	(177,833)
Administrative expenses		<u>(729,645)</u>	<u>(583,504)</u>
Profit from operations		617,963	513,960
Finance costs	5(a)	(32,977)	(33,429)
Share of post-tax profit of associates		<u>40</u>	<u>3,744</u>
Profit before taxation		585,026	484,275
Income tax expenses	6	<u>(131,407)</u>	<u>(97,970)</u>
Profit for the period		<u>453,619</u>	<u>386,305</u>
Attributable to:			
Equity shareholders of the Company		439,315	383,411
Non-controlling interests		<u>14,304</u>	<u>2,894</u>
Profit for the period		<u>453,619</u>	<u>386,305</u>
Earnings per share attributable to the equity shareholders of the Company	7		
– Basic		<u>RMB0.219</u>	<u>RMB0.195</u>
– Diluted		<u>RMB0.192</u>	<u>RMB0.195</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022 – unaudited

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	453,619	386,305
Other comprehensive income for the period		
<i>Items that may be reclassified to profit or loss</i>		
Share of other comprehensive income of an associate	36	–
Currency translation differences	(26,243)	55,368
	<u>427,412</u>	<u>441,673</u>
Total comprehensive income for the period	427,412	441,673
Attributable to:		
Equity shareholders of the Company	413,108	438,779
Non-controlling interests	14,304	2,894
	<u>427,412</u>	<u>441,673</u>
Total comprehensive income for the period	427,412	441,673

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022 – unaudited

	<i>Note</i>	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		3,375,197	3,219,966
Construction in progress		643,999	775,858
Right-of-use assets		133,746	97,144
Investment properties		40,202	46,789
Lease prepayments		559,137	580,997
Intangible assets		167,890	138,036
Investment in associates		208,259	210,099
Goodwill		251,651	256,671
Deferred tax assets		110,511	115,918
		<u>5,490,592</u>	<u>5,441,478</u>
Current assets			
Inventories		4,768,931	4,312,353
Contract assets		1,161,707	1,251,403
Trade and bills receivables	8	3,346,760	2,949,229
Deposits, other receivables and prepayments		1,199,033	1,212,740
Amounts due from related parties		123,865	194,098
Financial instruments at fair value through profit or loss		21,470	52,892
Restricted bank deposits		381,820	437,129
Cash and cash equivalents		4,384,547	3,173,351
		<u>15,388,133</u>	<u>13,583,195</u>
Current liabilities			
Financial instruments at fair value through profit or loss		82,526	–
Bank loans		348,080	106,595
Lease liabilities		32,268	23,099
Loans from related parties		336,109	301,022
Other borrowings		1,460	5,080
Trade and bills payables	9	3,166,586	3,302,768
Contract liabilities		4,069,260	2,418,878
Other payables and accrued expenses		1,702,983	1,837,955
Amounts due to related parties		294,941	267,238
Warranty provision		35,847	54,476
Income tax payable		94,126	194,158
		<u>10,164,186</u>	<u>8,511,269</u>
Net current assets		<u>5,223,947</u>	<u>5,071,926</u>
Total assets less current liabilities		<u>10,714,539</u>	<u>10,513,404</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT 30 JUNE 2022 – unaudited*

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current liabilities		
Bank loans	38,419	143,640
Warranty provision	121,049	117,646
Deferred tax liabilities	118,401	96,058
Deferred income	285,782	280,208
Employee benefit liabilities	4,365	4,355
Lease liabilities	109,454	80,715
Convertible bonds	1,311,840	1,234,980
Loans from related parties	46,719	56,125
	<u>2,036,029</u>	<u>2,013,727</u>
NET ASSETS	<u>8,678,510</u>	<u>8,499,677</u>
CAPITAL AND RESERVES		
Share capital	18,521	18,516
Reserves	8,378,254	8,224,900
Equity attributable to equity shareholders of the Company	8,396,775	8,243,416
Non-controlling interests	281,735	256,261
TOTAL EQUITY	<u>8,678,510</u>	<u>8,499,677</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022- 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	Other reserve RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As 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)
As 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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022 - 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	Convertible bonds reserve RMB'000	Other reserve RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022	18,516	573,651	(125,124)	1,124,571	1,206,131	(384,756)	497,913	5,203,886	123,944	4,684	8,243,416	256,261	8,499,677
Profit for the period	-	-	-	-	-	-	-	439,315	-	-	439,315	14,304	453,619
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	36	-	-	36	-	36
Currency translation differences	-	-	-	-	-	(26,243)	-	-	-	-	(26,243)	-	(26,243)
Total comprehensive income for the period	-	-	-	-	-	(26,243)	-	439,351	-	-	413,108	14,304	427,412
Issuance of shares in connection with exercise of share options	5	7,574	-	-	(2,215)	-	-	-	-	-	5,364	-	5,364
Special reserve of a subsidiary	-	-	-	-	-	-	-	-	-	3,475	3,475	-	3,475
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	14,700	14,700
Shares held for share award scheme - vesting of awarded shares	-	39,355	36,765	-	(38,397)	-	-	-	-	-	37,723	-	37,723
Equity-settled share-based payments	-	-	-	-	32,949	-	-	-	-	-	32,949	-	32,949
Transfer to general reserve	-	-	-	-	-	-	14,379	(14,379)	-	-	-	-	-
Lapse of share options	-	-	-	-	(3,844)	-	-	3,844	-	-	-	-	-
2021 final dividend paid	-	-	-	-	-	-	-	(364,258)	-	-	(364,258)	-	(364,258)
Dividends distribution made by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(3,578)	(3,578)
Equity-settled share-based payments of subsidiaries	-	-	-	-	24,998	-	-	-	-	-	24,998	48	25,046
Total contributions by and distributions to owners of the Company, recognised directly in equity	5	46,929	36,765	-	13,491	-	14,379	(374,793)	-	3,475	(259,749)	11,170	(248,579)
As at 30 June 2022	18,521	620,580	(88,359)	1,124,571	1,219,622	(410,999)	512,292	5,268,444	123,944	8,159	8,396,775	281,735	8,678,510

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 2022. The financial statements are presented in Renminbi (“RMB”) unless otherwise stated.

The interim financial report for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2021, 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 2021.

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 3, Update reference to the conceptual framework
- Amendments to HKAS 16, Proceeds before intended use
- Amendments to HKAS 37, Onerous contracts – cost of fulfilling a contract
- Amendments to Accounting Guideline 5, Merger accounting for common control combinations
- Annual Improvements, Annual improvements to HKFRS standards 2018–2020 cycle

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 2022 and have not been early adopted:

	Effective for accounting periods beginning on or after
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
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of goods	6,704,100	5,466,380
Revenue from project engineering contracts	2,244,593	2,473,636
	<u>8,948,693</u>	<u>7,940,016</u>

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, application, processing and distribution of natural gas, liquefied petroleum gas (“LPG”) and hydrogen such as compressed natural gas and hydrogen trailers, seamless pressure cylinders, liquefied natural gas (“LNG”) trailers, LNG and hydrogen storage tanks, LPG tanks, LPG trailers, natural gas and hydrogen refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas and hydrogen industries; the design, production and sale of small and medium-sized offshore liquefied gas carriers; natural gas and hydrogen processing and distribution services 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 chemicals; 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, distilled spirits, fruit juice and milk; the provision of turnkey service for the brewery industry as well as other liquid food industries; and the provision of peripheral logistics service.

During the period, due to change in internal organisational structure, the Group's natural gas processing and treatment and distribution integrated solutions and related services have been reclassified from unallocated to the Clean Energy segment and peripheral logistics services from unallocated to the Liquid Food segment. Accordingly, the corresponding periods' comparative figures have been restated.

(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		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)				(Restated)		(Restated)
Revenue from external customers	4,683,343	4,918,427	2,550,409	1,523,254	1,714,941	1,498,335	8,948,693	7,940,016
Inter-segment revenue	-	56	39,369	86,721	-	-	39,369	86,777
Reportable segment revenue	4,683,343	4,918,483	2,589,778	1,609,975	1,714,941	1,498,335	8,988,062	8,026,793
Timing of revenue recognition								
At a point in time	4,147,039	3,962,516	2,589,778	1,609,975	58,383	48,950	6,795,200	5,621,441
Over time	536,304	955,967	-	-	1,656,558	1,449,385	2,192,862	2,405,352
Reportable segment profit (adjusted profit from operations)	126,950	235,626	382,191	123,153	151,386	221,447	660,527	580,226
	Clean energy		Chemical and environmental		Liquid food		Total	
	As at		As at		As at		As at	
	30 June		31 December		30 June		31 December	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)					(Restated)	
Reportable segment assets	12,355,931	11,615,347	3,336,304	2,995,798	4,463,841	3,265,343	20,156,076	17,876,488
Reportable segment liabilities	5,838,996	5,500,841	1,171,095	1,137,206	2,746,358	1,706,877	9,756,449	8,344,924

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Revenue		
Reportable segment revenue	8,988,062	8,026,793
Elimination of inter-segment revenue	<u>(39,369)</u>	<u>(86,777)</u>
Consolidated revenue	<u><u>8,948,693</u></u>	<u><u>7,940,016</u></u>
Profit		
Reportable segment profit	660,527	580,226
(Elimination)/release of inter-segment profit	<u>(16,656)</u>	<u>12,370</u>
Reportable segment profit derived from the Group's external customers	643,871	592,596
Finance costs	(32,977)	(33,429)
Share of post-tax profit of associates	40	3,744
Unallocated operating expenses	<u>(25,908)</u>	<u>(78,636)</u>
Consolidated profit before taxation	<u><u>585,026</u></u>	<u><u>484,275</u></u>
Assets		
Reportable segment assets	20,156,076	17,876,488
Elimination of inter-segment receivables	<u>(19,172)</u>	<u>(34,337)</u>
Deferred tax assets	20,136,904	17,842,151
Unallocated assets	<u>110,511</u>	<u>115,918</u>
Consolidated total assets	<u><u>631,310</u></u>	<u><u>1,066,604</u></u>
As at 30 June 2022		
As at 31 December 2021		
<i>RMB'000</i>		
<i>RMB'000</i>		
(Restated)		

	As at 30 June 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i> (Restated)
Liabilities		
Reportable segment liabilities	9,756,449	8,344,924
Elimination of inter-segment payables	<u>(19,172)</u>	<u>(34,337)</u>
	9,737,277	8,310,587
Income tax payable	94,126	194,158
Deferred tax liabilities	118,401	96,058
Convertible Bonds	1,311,840	1,234,980
Unallocated liabilities	<u>938,571</u>	<u>689,213</u>
Consolidated total liabilities	<u><u>12,200,215</u></u>	<u><u>10,524,996</u></u>

There are no differences from the last annual financial statements 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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans, loans from related parties, other borrowings, lease liabilities and convertible bonds	31,336	29,374
Less: interest capitalised	(978)	(559)
Bank charges	<u>2,619</u>	<u>4,614</u>
	<u><u>32,977</u></u>	<u><u>33,429</u></u>

(b) Other items

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Research and development costs	217,949	196,686
Depreciation of property, plant and equipment	142,684	137,298
Provision for product warranties	21,544	29,951
Amortisation of intangible assets	18,902	22,538
Operating lease charges for property rental	4,226	6,255
Amortisation of lease prepayments	8,358	7,208
Equity-settled share-based payment expenses	57,995	12,030
Depreciation of right-of-use assets	<u>16,486</u>	<u>14,261</u>

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Impairment provision for trade receivables	73,350	48,209
Reversal of impairment provision for trade receivables	(35,282)	(34,959)
Impairment provision for other receivables and contract assets	2,101	4,530
	40,169	17,780

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax	103,657	68,870
Deferred income tax	27,750	29,100
	131,407	97,970

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 2022, 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 25.8%, 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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	439,315	383,411
Earnings for the purposes of diluted earnings per share	<u>414,114</u>	<u>383,411</u>

	Six months ended 30 June	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,005,005,823	1,963,905,031
Effect of dilutive potential ordinary shares in respect of the convertible bonds and the Company's share option and share award schemes	<u>148,366,770</u>	<u>7,241,166</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,153,372,593</u>	<u>1,971,146,197</u>

	Six months ended 30 June	
	2022	2021
Earnings per share		
Basic	0.219	0.195
Diluted	<u>0.192</u>	<u>0.195</u>

8 TRADE AND BILLS RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade debtors receivables	3,334,241	2,833,114
Less: allowance for doubtful debts	<u>(312,835)</u>	<u>(295,096)</u>
	3,021,406	2,538,018
Bills receivables (i)	<u>325,354</u>	<u>411,211</u>
	<u>3,346,760</u>	<u>2,949,229</u>

- (i) As at 30 June 2022, amounts of RMB158,129,000 represent bank acceptance bills classified as financial assets at fair value through other comprehensive income, which the Group intended to hold until maturity and to discount or endorse to financial institutions for treasury management purposes (2021: RMB104,475,000). Amounts of RMB15,020,000 and RMB152,205,000 represent trade acceptance bills and bank acceptance bills, respectively classified as financial assets at amortised cost, which the Group has intended to hold until maturity (2021: RMB25,091,000 and RMB281,645,000).

As at 30 June 2022, amounts of RMB70,484,000 and RMB7,664,000 represent bank acceptance bills and trade acceptance bills, respectively, which the Group had endorsed to financial institutions but they did not meet the criteria of derecognition. As a result, these two amounts remained on-book in the financial statements (2021: RMB47,018,000 and RMB8,135,000).

- (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:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Current	2,670,968	2,441,212
Less than 3 months past due	340,738	241,337
More than 3 months but less than 12 months past due	226,076	134,948
More than 1 year but less than 2 years past due	49,512	86,752
More than 2 years but less than 3 years past due	36,938	32,947
More than 3 years due	22,528	12,033
Amounts past due	675,792	508,017
	3,346,760	2,949,229

9 TRADE AND BILLS PAYABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade creditors	2,565,159	2,763,209
Bills payables	601,427	539,559
	3,166,586	3,302,768

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 3 months	2,242,356	2,309,723
3 months to 12 months	766,861	827,661
Over 12 months	157,369	165,384
	<u>3,166,586</u>	<u>3,302,768</u>

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

10 DIVIDENDS

Final dividend of RMB364,258,000 in relation to the year ended 31 December 2021 was paid in 2022 (final dividend of RMB235,891,000 in relation to the year ended 31 December 2020 was paid in 2021).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The financial and operational data highlights of the Group for the period together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30 June		Change %
	2022 (unaudited)	2021 (unaudited)	
Revenue (RMB'000)	8,948,693	7,940,016	12.7%
— Clean energy segment	4,683,343	4,918,427	(4.8%)
— Chemical and environmental segment	2,550,409	1,523,254	67.4%
— Liquid food segment	1,714,941	1,498,335	14.5%
Gross profit (RMB'000)	1,423,118	1,180,601	20.5%
Net profit (RMB'000)	453,619	386,305	17.4%
Profit attributable to shareholders (RMB'000)	439,315	383,411	14.6%
Core profit* (RMB'000)	531,831	395,441	34.5%
Basic earnings per share (RMB)	0.219	0.195	12.3%

Newly signed orders

Total (RMB million)	10,746	9,204	16.8%
— Clean energy segment	5,359	5,220	2.7%
— Chemical and environmental segment	2,526	2,718	(7.1%)
— Liquid food segment	2,861	1,266	126.0%

	As at 30 June		Change %
	2022 (unaudited)	2021 (unaudited)	

Orders on hand

Total (RMB million)	17,346	12,245	41.7%
— Clean energy segment	9,644	6,974	38.3%
— Chemical and environmental segment	2,591	2,511	3.2%
— Liquid food segment	5,111	2,760	85.2%

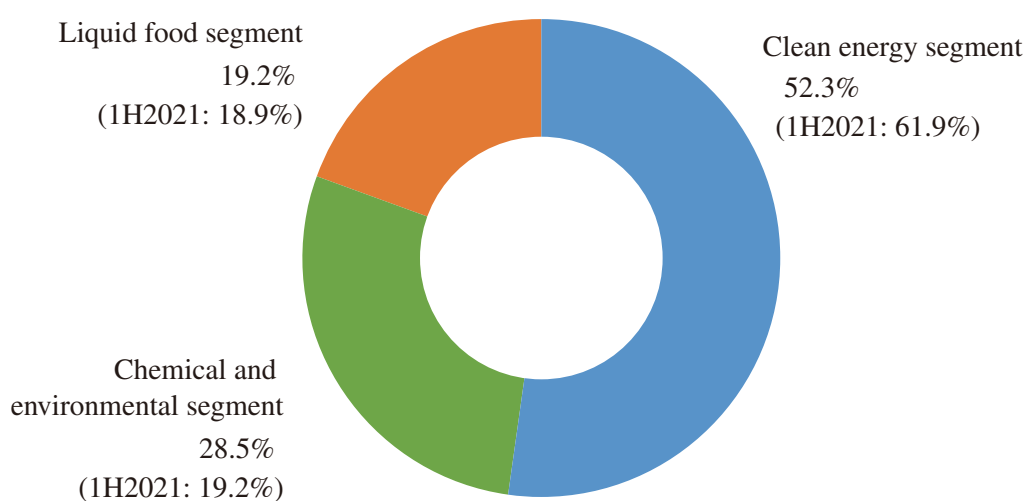
* Core profit – Profit for the six months ended 30 June but stripping out amortisation of share base incentive scheme expense and convertible bonds related finance expenses

FINANCIAL REVIEW

Revenue

During the first half of 2022, the resurgence of novel coronavirus (“COVID-19”) cases in China resulted in tightening of anti-epidemic measures and slowed down the Chinese domestic economy. This in turn has adversely affected the clean energy business. However, the relaxation of anti-epidemic measures in most overseas countries has a positive impact on chemical and environmental and liquid food segments. As a result, the Group’s consolidated revenue for the first half of 2022 rose by 12.7% to RMB8,948,693,000 (corresponding period in 2021: RMB7,940,016,000). The performance of each segment is discussed below:

Revenue breakdown by segment



The resurgence of COVID-19 cases in China caused lockdowns of various cities and regions and disrupted the domestic supply chain. With the surge of commodity price during the period, the demand for LNG transportation and down-stream application equipment was weak. However, the demand for storage equipment remained strong on the back of favourable government policy. Moreover, the LNG processing and treatment and distribution service business recorded substantial increase in revenue due to higher LNG prices. These, to a large extent, have offset the decline in revenue from LNG transportation and application equipment. The clean energy segment’s revenue for the first half of 2022 was down slightly by 4.8% to RMB4,683,343,000 (corresponding period in 2021: RMB4,918,427,000), among which the hydrogen business’s revenue increased by 175.1% to RMB169,489,000 (corresponding period in 2021: RMB61,618,000). The segment remained the top grossing segment and contributed 52.3% (corresponding period in 2021: 61.9%) of the Group’s total revenue.

The rise in steel price, reduced global marine shipping efficiency and turnaround rate for chemical tank containers and the appreciation of USD against RMB have spurred the demand and price for chemical tank containers in the period; therefore the chemical and environmental segment's revenue posted a significant rise of 67.4% to RMB2,550,409,000 (corresponding period in 2021: RMB1,523,254,000). The segment made up 28.5% of the Group's total revenue (corresponding period in 2021: 19.2%).

As COVID-19 related restrictions were further relaxed in most countries in the first half of 2022, the liquid food segment's operations (especially on-site construction works) have been progressing on schedule. The liquid food segment's revenue saw an increase of 14.5% to RMB1,714,941,000 during the period (corresponding period in 2021: RMB1,498,335,000). The segment accounted for 19.2% of the Group's total revenue (corresponding period in 2021: 18.9%).

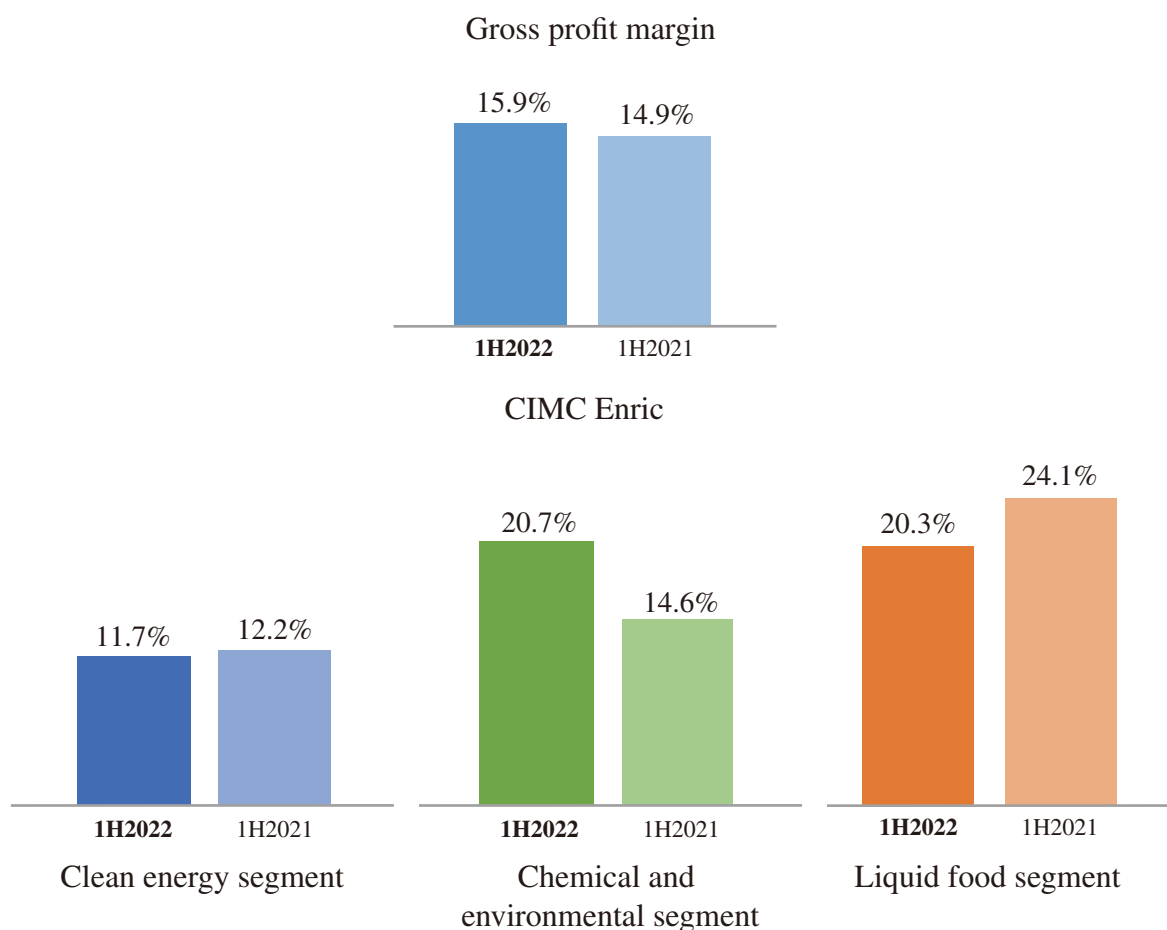
During the first half of 2022, the newly signed orders of the Group totalled RMB10.7 billion, representing an increase of 16.8% compared with the same period last year. The newly signed orders for clean energy segment increased 2.7% to RMB5.4 billion compared with the same period last year, including the newly signed orders for hydrogen business of RMB230 million during the first half of 2022. The newly signed orders for chemical and environmental segment reached RMB2.5 billion, down 7.1% compared with the same period last year, mainly due to the high capacity utilisation in the first half of the year. The newly signed orders for liquid food segment reached RMB2.9 billion, representing a significant increase of 126.0% compared with the same period last year, mainly benefiting from the booming liquid food industry and the Group's growing market share by leveraging on its competencies on advanced process equipment and leading delivery capabilities on turnkey projects.

At 30 June 2022, the total orders on hand of the Group reached RMB17.3 billion, recording an increase of 41.7% compared with the same period last year. The orders on hand for clean energy segment, chemical and environmental segment, and liquid food segment reached RMB9.6 billion, RMB2.6 billion and RMB5.1 billion, representing increases of 38.3%, 3.2% and 85.2% compared with the same period last year, respectively. The orders on hand for hydrogen business at the end of June 2022 was RMB170 million.

Gross profit margin and profitability

The gross profit margin (“**GP margin**”) of the Group during the period improved by one percentage point to 15.9% (corresponding period in 2021: 14.9%), which was mainly attributable to the improved GP margin of chemical and environmental business and offset the decline in GP margins of both clean energy and liquid food business segments.

The clean energy segment’s GP margin declined slightly, which was mainly due to anti-epidemic measures in China limiting the segment’s economy of scales. During the period, the GP margin of chemical and environmental segment improved significantly, which was mainly due to economy of scales and appreciation of USD against RMB. As the segment’s key products, tank containers, are mostly denominated in USD and its appreciation in turn raises the sales revenue reported in RMB. The liquid food segment’s GP margin recorded a decline because there were no major projects completed and therefore the effect of cost-saving controls was not fully released during the period.



Profit from operations expressed as a percentage of revenue rose by 0.4 percentage point from 6.5% in the same period last year to 6.9% during the current period which was mainly due to the improved GP margin while the Group's operating expenses increased at almost the same rate as gross profit did.

During the period, income tax expense increased by 34.1% to RMB131,407,000 (corresponding period in 2021: RMB97,970,000) which rose at a higher rate than that of the Group's revenue. Moreover, the effective tax rate increased from 20.2% in the same period of 2021 to 22.5% in the current period which was mainly attributable to new subsidiaries, who are subject to higher income tax rate, started turning profitable during the period.

Liquidity and financial resources

	30 June 2022	31 December 2021	Change
Net assets (<i>RMB'000</i>)	8,678,510	8,499,677	2.1%
Cash and cash equivalents (<i>RMB'000</i>)	4,384,547	3,173,351	38.2%
Interest bearing debts ¹ (<i>RMB'000</i>)	2,082,627	1,847,442	12.7%
Gearing ratio ²	24.0%	21.7%	+2.3ppt

1 Interest bearing debts = Bank loans, loans from related parties, convertible bonds and other borrowings

2 Gearing Ratio = Interest bearing debts ÷ Net assets

At 30 June 2022, the cash and cash equivalents of the Group amounted to RMB4,384,547,000 (31 December 2021: RMB3,173,351,000). A portion of the Group's bank deposits totalling RMB381,820,000 (31 December 2021: RMB437,129,000), 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 2022, the Group's bank loans and overdrafts amounted to RMB386,499,000 (31 December 2021: RMB250,235,000), which are all repayable within one year to five years. 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 1.70% to 4.50% per annum.

At 30 June 2022, the Group did not have any secured bank loan (31 December 2021: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (31 December 2021: nil). As at 30 June 2022, loans from related parties amounted to RMB382,828,000 (31 December 2021: RMB357,147,000), which are unsecured, interest bearing from 3.70% to 4.75% (31 December 2021: 3.80% to 4.75%) per annum and repayable within one year to four years.

At 30 June 2022, the Group's zero-coupon convertible bonds ("CB") amounted to RMB1,311,840,000 (31 December 2021: RMB1,234,980,000). There has not been any conversion of the CB during the period. With effect from 7 June 2022 the CB's conversion price has been adjusted from HKD11.78 to HKD11.49 and if fully converted will be convertible into 146,214,099 shares of the Company, representing an increase of 3,599,498 shares (31 December 2021: 142,614,601 shares).

The net gearing ratio, which is calculated by dividing net debt over shareholders' equity, was zero times (31 December 2021: zero times) as the Group retained a net cash balance of RMB2,301,920,000 (31 December 2021: RMB1,757,260,000). The increase in net cash balance is mainly attributable to a cash inflow from operating activities which was offset to some extent by outflows from investing and financing activities.

The Group recorded a cash inflow from operating activities of RMB1,580,454,000 (corresponding period in 2021: outflow of RMB408,780,000) mainly attributable to increase in contract liabilities (i.e. down payments received from EPC/turnkey projects awarded). By consistently applying the right measures and controls, the Company is confident to maintain a net operating cash inflow in the long run.

The net cash used in investing activities amounted to RMB215,241,000 (corresponding period in 2021: RMB137,624,000). This is mainly due to the acquisition of non-current assets for production and operation and intangible assets which totalled to RMB214,193,000 (corresponding period in 2021: RMB206,835,000). During the period, the net cash used in financing activities amounted to RMB162,533,000 (corresponding period in 2021: inflow of RMB127,414,000). This is mainly due to lower amount of net drawdown of bank loans and net loans from related parties of RMB151,460,000 during the period compared with the corresponding period in 2021 of RMB320,805,000. This inflow was more than offset by the payment of final dividend for 2021 of RMB364,258,000 (corresponding period in 2021: RMB235,891,000).

As a result, the cash inflow of the Group during the period totalled RMB1,202,680,000 (corresponding period in 2021: RMB418,990,000).

The Group's interest coverage was 19.6 times for the period (corresponding period in 2021: 17.5 times), demonstrating 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 fulfil its interest obligations, the Group will continue with a responsible approach in managing its cash resources.

Assets and liabilities

At 30 June 2022, total assets of the Group increased from RMB19,024,673,000 (at 31 December 2021) to RMB20,878,725,000. Non-current assets increased by RMB49,114,000 and current assets by RMB1,804,938,000. At 30 June 2022, total liabilities of the Group increased by RMB1,675,219,000 to RMB12,200,215,000 (31 December 2021: RMB10,524,996,000). The net asset value increased slightly by from RMB8,499,677,000 (at 31 December 2021) to RMB8,678,510,000. The net asset value per share also increased slightly to RMB4.279 at 30 June 2022 from RMB4.192 at 31 December 2021.

Contingent liabilities

At 30 June 2022, the Group had outstanding balance of guarantees issued by relevant banks totalling RMB1,908,734,000 (31 December 2021: RMB1,335,928,000). 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 interest bearing debts. 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 2022, the Group had contracted but not provided for capital commitments of RMB130,104,000 (31 December 2021: RMB49,394,000), while the Group did not have any authorised but not contracted for capital commitments (31 December 2021: 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 2022, the Group invested RMB231,361,000 (corresponding period in 2021: RMB251,767,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures.

Employees and Remuneration Policies

At 30 June 2022, the total number of employees of the Group was approximately 9,500 (corresponding period in 2021: approximately 9,700). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB1,057,931,000 (corresponding period in 2021: RMB920,890,000). The rise in total staff costs were mainly attributable to the increase in production level during the period.

BUSINESS REVIEW

The Group is principally engaged in the design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance and integrated 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.

BUSINESS REVIEW BY SEGMENTS

Clean Energy

Business Review

This segment specialises in the manufacturing, sale and operation of a wide range of equipment for the storage, transportation, application, processing and distribution of natural gas (in the form of liquefied natural gas (“LNG”), compressed natural gas (“CNG”)), liquefied petroleum gas (“LPG”). 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, 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 vessel fuel supply systems and oil and gas liquefied modules. This segment provides value-added services for the clean energy industry based on the IoT intelligent operation management platform, it also provides the hydrogen energy equipment products and project engineering services. Leveraging on its accumulation of the cryogenic technology, this segment engages in the research and development and manufacturing of storage and transportation equipment of ultra-low temperature medium for liquid hydrogen and liquid helium, such as liquid hydrogen storage tanks, liquid helium tank containers and liquid helium dewar flasks.

Onshore Clean Energy Sector

In the first half of 2022, the Russian-Ukrainian conflict and the continuously turbulent international situation resulted in the soaring prices of international crude oil and natural gas. According to the data of Zhongyu Information, the average market price of LNG in China in the first half of 2022 was RMB6,599.7 per tonne, representing an increase of RMB2,630.2 per tonne or 66.3% year-on-year (“YoY”). Affected by the high gas price and the COVID-19 outbreak in many regions in China, the operation rates of downstream users were relatively low and the gas consumption

from transportation section and the industrial field was reduced, as a result of which, the apparent consumption of natural gas in the PRC remained flat. According to the data of the National Development and Reform Commission (the NDRC) of the PRC, in the first half of 2022, the output of natural gas in the PRC was 109.58 billion cubic meters, representing a YoY increase of 4.9%; the apparent consumption of natural gas in the PRC was 182.99 billion cubic meters, representing a slight YoY increase of 0.2%. The domestic demand of natural gas was weak, and the import volume thereof declined. According to the data of the General Administration of Customs of the PRC, in the first half of 2022, the LNG import volume was 31.256 million tonnes, representing a YoY decrease of 20.8%. With the effective control of the pandemic, the urban gas demand and industrial demand have been recovering steadily since June 2022, and it is expected that the natural gas demand will gradually return to normal in the second half of the year.

During the period under review, benefiting from the continuous growth of domestic natural gas production, the sales revenue related to the upstream treatment and processing modules increased significantly YoY. Leveraging on the liquefied modules, the storage and transportation equipment manufactured by the Group as well as the existing client base, the Group has developed an integrated solution that can effectively recycle and utilise scattered wellhead gas and combines with upstream treatment, processing and distribution, and therefore, the related business and the sales of equipment for upstream sectors recorded growth. During the period, the city gas enterprises continued to promote the construction of the peak-shaving reserve projects, and the Group had recorded a YoY increase in terms of the sales revenue of the LNG storage tanks. During the period under review, the LPG pump tankers developed by the Group passed the first domestic technical review of “New materials, New technologies and New processes”, making the Group one of the first two suppliers of main equipment for the intelligent LPG micro-pipe network integrated solution that passed the review. Currently, such equipment has commenced delivery and is well prepared for the full completion of the rural revitalisation as well as the rural gas program. During the period, as it was more economical than LNG, CNG had driven the sales of the high-pressure equipment such as high-pressure gas vessels and high-pressure gas trailers. At the same time, as a result of the COVID-19 outbreak in many regions in China in the first half of the year, which seriously affected the production capacity and supply chain logistics of this segment, coupled with the decline in LNG consumption, the sales of the Group’s LNG trailers, LNG tank containers and other related transportation equipment declined. In terms of downstream application, the sales of the heavy-duty trucks for the natural gas continued to decline in the first half of the year, which was attributable to the impact of the pandemic on logistics transportation industry and the situation that the dealers were putting more efforts to dispose the inventories of the China V Emission Standards diesel heavy-duty trucks. Affected by this, the sales of the on-vehicle LNG fuel tanks of the Group had also decreased YoY. Looking forward to the second half of the year, with the influence of the policies of the state for achieving stable growth, coupled with the recovery of the logistics needs and the continual expanding of the price gap between oil and natural gas, the YoY decrease in the natural gas heavy-duty trucks industry may be narrowed, and it is expected to recover from the sales slump. With the gradual relaxation of epidemic control in most overseas countries, the demands for industrial gas equipment and natural gas equipment have surged, therefore, the new overseas orders signed in the first half of 2022 have increased by 70% YoY and are expected to continue to rise in the second half of 2022.

Offshore Clean Energy Sector

LNG is one of the safest vessel fuels with the best efficiency in emission reduction under the current economic and technical conditions, resulting in the rising attention to the LNG-powered vessels and bunkering vessels. According to Clarkson's data, in the first half of 2022, there were 701 new shipbuilding orders worldwide, of which orders for vessels using alternative fuels accounted for 45%, while for the purpose of selecting the alternative fuels, LNG steadily took the leading position with a percentage of 31%, which was a record high. During the period under review, the Group had delivered one LNG bunkering vessel of 7,500m³, two LPG carrier vessels of 5,000m³ and one of the world's largest LNG bunkering vessel of 20,000m³. Besides, the Group had signed three LNG bunkering vessels of 7,600m³ with a Canadian company Seaspan Ferries Corporation, taking the leading market share in bunkering vessels. In terms of oil-to-gas conversion for vessels, the first two remoulded ships of the "Gasification of Pearl River (氣化珠江)", a green shipping project in Guangdong on old ship conversion undertaken by the Group, have been delivered to ship owners, and the Group had acquired 121 orders for oil-to-gas conversion for vessels in the first half of the year.

Hydrogen Energy Sector

In March 2022, the NDRC and National Energy Administration of P.R.CHINA jointly issued the Medium and Long-term Plan for the Development of Hydrogen Energy Industry (2021–2035) (《氫能產業發展中長期規劃(2021–2035年)》), and over 17 provinces and 26 cities and regions subsequently issued local policies related to hydrogen energy. According to the data of the China Association of Automobile Manufacturers, in the first half of 2022, the production and sales volume of fuel cell vehicles in China were 1,804 and 1,390, respectively, representing a YoY increase of 1.9 times respectively. During the period under review, the Group continually enhanced the investment and development of hydrogen energy business, and achieved considerable progress on multiple parts of the industrial chain. In terms of hydrogen production, we actively laid out on the industrial by-production hydrogen, hydrogen production from electrolysed water, methanol hydrogen production and other related technologies and projects. While for the purpose of storage and transportation, as our champion products, the hydrogen tube trailer and stationary hydrogen storage tanks maintained the leading market position in terms of sales, we had also successfully developed 30MPa hoop-wrapped tube bundle containers and 99MPa stationary hydrogen storage tanks and introduced them into the market, thereby leading the development of the industry. In May 2022, the Group entered into a strategic cooperation agreement with Hong Kong-based Templewater Group (香港善水資本集團), so as to carry out deep cooperation in terms of green hydrogen production, hydrogen refuelling and hydrogen application, jointly expanding the hydrogen energy market in Hong Kong and developing an integrated solution for the hydrogen application of public transportation of Hong Kong, and we had successfully provided Type IV on-vehicle hydrogen cylinder and supply system for the first double deck bus with hydrogen fuel cell of Hong Kong in June. Besides, the Group had achieved satisfying performance in hydrogen refuelling stations, we had completed the research and development of the second generation of small skid-mounted 35MPa hydrogen refuelling devices and put into operation successfully in Foshan, Guangdong province, and we had won the bids for projects including the hydrogen primary refuelling station in Shanxi, which was already delivered, the "integrated station of hydrogen production and refuelling for Hangzhou Asian Games" and the "hydrogen supply center of Nanjing Yangzi Petrochemical".

Prospects

Onshore Clean Energy Sector

The outbreak of the Russia-Ukraine conflict at the beginning of the year has caused Europe to plan to significantly increase its LNG imports to compensate for the decline in Russian pipeline gas imports. Currently, Europe has limited infrastructure for LNG imports, and more diversified natural gas imports methods in the future will increase its demand for LNG receiving terminals, LNG tank containers and other storage and transportation equipment. In the domestic market, against the high gas price environment, the construction of such LNG liquefaction plants has started to resume and the overall utilisation rate has increased significantly, which is expected to drive the growth of the Group's upstream related service and equipment sales. On the other hand, the construction of safe and reliable rural gas storage tank stations and micro-pipe network gas supply systems remains one of China's key tasks in promoting the extension of urban infrastructure to rural areas during the "14th Five-Year Plan" period. As a leading integrated clean energy equipment supplier in the industry, the Group's business portfolio covers the entire upstream, midstream and downstream industry chains of CNG, LNG and LPG, and will continue to benefit from the various development opportunities along various segments both at home and abroad.

Offshore Clean Energy Sector

As an important fuel option under the new international maritime environmental regulations, LNG is gaining increasing attention from the maritime and shipbuilding industries. There has been an explosion in the number of orders for LNG-powered vessels. In the domestic market, although the domestic LNG-powered vessels and bunkering business are still in the climbing stage, the wave of green shipping and policies are being pushed forward. As a leading participant in green shipping demonstration projects at home and abroad, the Group will continue to strive for more market breakthroughs.

Hydrogen Energy Sector

Hydrogen energy is an important part of the future national energy system, a major carrier for energy end-users to achieve green and low-carbon transformation, and a key development direction for strategic emerging industries and future industries. Since the beginning of the year, relevant hydrogen energy policies have been introduced intensively in various places, covering all aspects of the "production-storage-transportation-application" industrial chain, including specific plans for industrial scale, policy subsidies, construction of hydrogen refuelling stations, and the launch of fuel cell vehicles. At the same time, the number of demonstration city clusters for fuel cell applications has been expanding this year. The Group has already established a presence in various segments of the hydrogen energy industry chain and will benefit from the opportunities brought by the booming development of hydrogen energy.

Future Plans and Strategies

The Group will continue to adhere to its business development strategy of “key equipment + core process + comprehensive service”, strengthen the entire business chain layout of hydrogen, natural gas and LPG, rely on the Sino-European interaction pattern to strengthen its international business, continue to develop innovative demonstration applications of upstream processing and treatment integrated solutions and services, strengthen the “production, storage, transportation and application” integrated overall solution capability for the clean energy, promote the intelligent application of key energy equipment and optimise portfolio of product business, consolidate and cultivate more champion products, and realise the integration of resources and integrated operation of the engineering business.

Chemical and Environmental

Business Review

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 chemicals; and the provision of maintenance and value-added service for tank containers. This segment is also engaged in the business of research and development and manufacture of environmental protection equipment, metal recycling and the integrated utilisation of solid waste.

With the resurgence of a new round of pandemic around the world and coupled with the ongoing geographical tensions, the growth rate of the global trade slowed down from the second quarter of 2022. During the period, a number of factors, such as the continuous rise in steel price, tight global shipping capacity with low chemical tank container turnover rate and the decline in RMB exchange rate, drove the rapid growth in the sales volume and selling price of tank container products, further consolidating the segment’s industry leading position in the global tanker container market, as a result, sales revenue and net profit both recorded significant increase in the first half of the year. At the same time, the segment carried out the strategic planning of “Manufacturing + Services + Intelligence, to provide customers with full life-cycle services” through actively expanding its after-sales services and intelligent product business by focusing on customers’ needs and pain points, and providing various digital products to enhance customers’ purchasing experience with quality services and standard procedures in the manufacturing industry. During the period under review, the segment continued to provide cooling transportation solutions for electrolyte in the new energy industry. And through in-depth industry-university-research cooperation with Shanghai Jiao Tong University, the segment has also developed chiller units and in-transit monitoring systems with independent intellectual property rights that are suitable for multimodal transportation and other complex transportation conditions, which are expected to be widely used.

In terms of environmental protection business, the hazardous waste business focusing on metal recycling has gradually expanded its market and the solid waste treatment business was under steady progress.

Prospects

Despite the global outbreak of COVID-19 pandemic in recent years, the scale of global chemical industry will continue to grow in the long term due to the importance of chemical production in the industrial chain. According to the statistics of “Facts and Figures on the European Chemical Industry of 2022 (《2022年歐洲化學工業的事實和數據》)” released by European Chemical Industry Council (CEFIC), China provided more than 40% of the world’s chemicals and was the fastest growing chemical market in the world. In the long run, Chinese chemical industry is still in a period of important strategic development opportunities, and there is great potential for optimising the industrial structure and upgrading the chemical industry. With improved safety standards and awareness of global environmental protection, established multimodal transport and professional labor division of third-party logistics companies, application scenarios of tank containers will continue to expand and the tank containers market demand will show a gradual increase trend in general.

On the other hand, carbon emission constraints and subsidies for new energy have promoted the rapid increase in the penetration rate of the new energy vehicles. As the global penetration rate of the new energy vehicles continues to increase, it is expected that the market demands for electrolytes will reach the level of one million tons in 2025. Driven by prosperous prospects of electrolytes and semi-conductors, the demands for high-end inner liner tank containers will continue to grow. Global warming and rising temperature will also drive the demands for refrigerants, which will in turn promote the market growth of related chemical tank containers. Looking forward, this segment will continue to benefit from the opportunities brought by the booming international and domestic chemical logistics markets.

Future Plans and Strategies

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. Meanwhile, 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 service experience, so as to further improve customer satisfaction and loyalty.

The environmental protection business of this segment will take the “recycling of hazardous wastes containing non-ferrous metals (precious metals)”, a hazardous waste sub-sector, as its key development direction, as well as consider the development of comprehensive utilisation of general solid wastes, so as to establish the operation capacity of the whole industrial chain, and realise the leapfrog development of environmental protection business.

The Group is pursuing the spin-off and separate A-share listing of CIMC Safeway Technologies Co., Ltd. In February 2022, CIMC Safeway Technologies Co., Ltd. received the first round of feedback from the Shenzhen Stock Exchange and in July 2022, it received the second round of feedback. As of the date of this report, the listing is still under the enquiry of the Shenzhen Stock Exchange.

Liquid Food

Business Review

This segment specializes in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, distilled spirits, baijiu, hard seltzer, fruit juice, dairy products and biopharmaceuticals; and also the provision of engineering, procurement, and construction services for the brewery and other liquid food industries. The segment possesses such globally reputable and leading brands as Ziemann Holvrieka, Briggs, DME, and McMillan, with major manufacturing plants in Germany and China.

In the first half of 2022, the overseas COVID-19 pandemic relieved, thus the on-site construction projects involved in this segment have been progressing normally. During the period under review, turnkey brewery projects in Mexico, a turnkey brewery project for malt-flavored beverage and hard seltzer in USA, a hard seltzer project in Mexico, process design and equipment projects for greenfield tequila distilleries in Mexico, a turnkey brewery and experience center project in Cambodia, as well as a process design and equipment project for greenfield malt and grain distillery and a carbon-neutral whisky distillery demonstration project in China have made good progress.

Prospects

With the world's leading integrated solutions for liquid food processing equipment design, manufacturing and project engineering as its core competitiveness, the liquid food segment has gained wide recognition in various market segments such as beer, distilled spirits, juice and dairy products by virtue of its diversified product portfolio, strong technical capabilities and excellent quality. And the industry this segment involves sees a long-term growth worldwide.

Despite the global impact of the pandemic, the beer market is expected to grow annually by 10.3% during the period 2022–2025 according to Statista's report. The continuous growth in demand for brewery equipment is fueled by GDP growth in emerging countries, the rising preference for craft beer and new beer types with lower calories or less alcohol.

While consolidating its leading position in the brewing and distillation equipment industry, the segment has been committed to exploring new areas such as Baijiu and hard seltzer to diversify its revenue.

The segment is also observing the market, developing new products and new technologies to support customers' upgrading and diversifying demands. In respect of the demand for low-carbon transformation in the alcohol industry, in early August, the Ministry of Industry and Information Technology, the NDRC and the Ministry of Ecology and Environment issued the Implementation Plan for Carbon Emission Peak in the Industrial Sector (《工業領域碳達峰實施方案》), proposing to build a number of green plants and green industrial parks, research and develop, demonstrate and promote a batch of low-carbon, zero-carbon and negative-carbon technology and equipment products with significant emission reduction effects, and by 2025, energy consumption per unit of added value in the industrial sector above the scale will drop by 13.5% compared with 2020. Previously, China Alcoholic Drinks Association released the 14th Five-Year Development Guide for the Chinese Alcohol Beverage Industry (《中國酒業「十四五」發展指導意見》), which also calls for a comprehensive transformation of the alcohol industry towards green and ecological development, with “zero-carbon production areas” and “zero-carbon plants” mentioned as construction targets for the first time. With the world's leading turnkey project capability in the alcohol industry, the segment will continue to focus on and seize the upgrade opportunities for the carbon neutral transformation of domestic plants and parks for Baijiu, craft beer, biopharmaceuticals, beer and spirits, aiming to increase the revenue contribution percentage from China market.

Future Plans and Strategies

Looking ahead, the liquid food segment will continue to consolidate its leading position in the beer and distilling sectors, expand business opportunities in non-beer business such as distilled spirits, baijiu, hard seltzer, juice, dairy products and biopharmaceuticals horizontally, and strive to become a global leader in stainless steel storage tanks, processing equipment manufacturing and turnkey projects of various liquid food.

In addition, the segment will also pay close attention to the incremental market space brought about by the carbon neutral transformation of domestic alcohol enterprises and continue to develop new technologies and products to provide integrated engineering construction and equipment services for the green transformation and upgrading of alcohol plants.

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 2022.

The latest corporate governance report of the Company is set out in the Annual Report 2021. 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 2022, the trustee of Share Award Scheme (2020) did not purchase any shares on the Stock Exchange pursuant to the terms of the trust deed under the Share Award Scheme (2020).

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 2022.

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 2022

The Interim Report 2022 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as possible.