CIMC ENRIC

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

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

Stock code 股份代號: 3899

Interim Report
中期報告

2020

Vision 願景

To be a respected world-leading enterprise in clean energy, chemical and environmental, and liquid food industries.

成為清潔能源、化工環境、液態食品領域受人尊敬的全球領先企業。

Mission 使命

To provide high-quality and reliable smart equipment and services to customers, generate sound returns for shareholders and staff, and create sustainable value to the society.

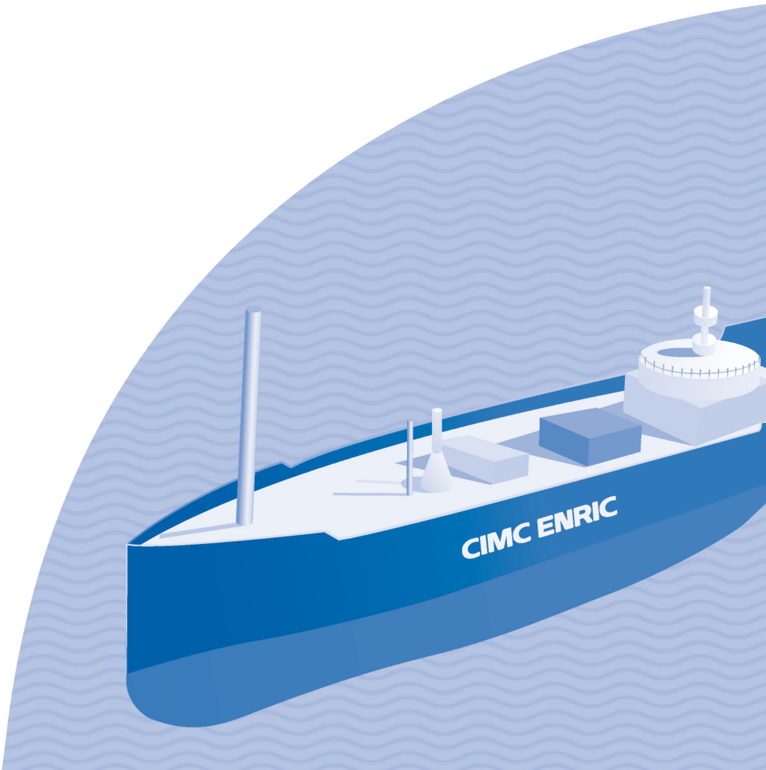
為客戶提供高質量、可信賴、智慧化的裝備和服務，為股東和員工提供良好回報，為社會創造可持續價值。

About Us 關於我們

Founded in 2004, CIMC Enric Holdings Limited has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group. We are principally engaged in 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 for the clean energy, chemical and environmental and liquid food industries. We have built a global marketing network and have over 20 subsidiaries located in China, Germany, Belgium, United Kingdom and Canada that operate production bases and internationally advanced R&D centers.

中集安瑞科控股有限公司於2004年成立，自2005年在香港聯交所上市，為中集集團成員之一。我們主要從事廣泛用於清潔能源、化工環境及液態食品三個行業的各類型運輸、儲存及加工裝備的設計、開發、製造、工程、銷售及運作，並提供有關技術保養服務。我們的營銷網絡遍布全球，旗下國內外成員企業20餘家，在中國、德國、比利時、英國及加拿大等國家擁有生產基地和研發中心，營銷網絡遍布全球。

CONTENTS



Financial Highlights

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000	+/-
FINANCIAL POSITION			
Total Assets	**15,758,966**	15,900,033	-0.9%
Net Assets	**7,237,044**	7,384,511	-2.0%
Net Current assets	**3,377,345**	3,721,040	-9.2%
Cash and cash equivalents	**2,330,622**	2,534,752	-8.1%
Bank loans, loans from related parties and other borrowings	**1,256,147**	1,054,542	+19.1%
Gearing Ratio[1]	**17.4%**	14.3%	+3.1ppt

	For the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	+/-
OPERATING RESULTS			
Revenue	**5,319,352**	6,584,418	-19.2%
Gross profit	**756,927**	1,007,258	-24.9%
EBITDA	**445,311**	646,212	-31.1%
Profit from operations	**287,778**	505,899	-43.1%
Profit attributable to equity shareholders	**215,993**	382,879	-43.6%
PER SHARE DATA			
Earnings per share – Basic	**RMB0.109**	RMB0.196	-44.4%
Earnings per share – Diluted	**RMB0.109**	RMB0.193	-43.5%
Net asset value per share	**RMB3.600**	RMB3.442	+4.6%
KEY STATISTICS			
GP ratio	**14.2%**	15.3%	-1.1ppt
EBITDA margin	**8.4%**	9.8%	-1.4ppt
Operating profit margin	**5.4%**	7.7%	-2.3ppt
Net profit margin[2]	**4.1%**	5.8%	-1.7ppt
Return on equity (half year)[3]	**3.1%**	5.9%	-2.8ppt
Interest coverage – times	**14.5**	21.7	-7.2
Inventory turnover days	**149**	116	+33
Debtor turnover days	**91**	84	+7
Creditor turnover days	**92**	82	+10

Notes:

[1] Gearing ratio = (Bank loans + loans from related parties + other borrowings) ÷ Total equity

[2] Net profit margin = Profit attributable to equity shareholders ÷ Revenue

[3] Return on equity = Profit attributable to equity shareholders ÷ Average shareholders' equity

pwc

羅兵咸永道

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

Introduction

We have reviewed the interim financial report set out on pages 4 to 28, which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2020

Consolidated Income Statement

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Revenue	*5*	**5,319,352**	6,584,418
Cost of sales		**(4,562,425)**	(5,577,160)
Gross profit		**756,927**	1,007,258
Change in fair value of derivative financial instruments		**(4,312)**	(4,845)
Other revenue	*6(a)*	**105,364**	137,672
Other income, net	*6(b)*	**67,544**	52,992
Net impairment loss on financial assets	*7(c)*	**(23,873)**	(13,625)
Selling expenses		**(144,145)**	(185,846)
Administrative expenses		**(469,727)**	(487,707)
Profit from operations		**287,778**	505,899
Finance costs	*7(a)*	**(23,603)**	(31,452)
Share of post-tax profit of associates		**4,228**	–
Profit before taxation	*7*	**268,403**	474,447
Income tax expenses	*8*	**(63,173)**	(87,014)
Profit for the period		**205,230**	387,433
Attributable to:			
Equity shareholders of the Company		**215,993**	382,879
Non-controlling interests		**(10,763)**	4,554
Profit for the period		**205,230**	387,433
Earnings per share	*9*		
– Basic		**RMB0.109**	RMB0.196
– Diluted		**RMB0.109**	RMB0.193

The notes on pages 11 to 28 form an integral part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	**205,230**	387,433
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(16,839)**	967
Total comprehensive income for the period	**188,391**	388,400
Attributable to:		
Equity shareholders of the Company	**199,154**	383,846
Non-controlling interests	**(10,763)**	4,554
Total comprehensive income for the period	**188,391**	388,400

The notes on pages 11 to 28 form an integral part of this interim financial report.

Consolidated Balance Sheet

As at 30 June 2020 – unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**2,936,585**	2,966,655
Right-of-use assets	*11*	**29,279**	33,718
Construction in progress		**497,345**	425,145
Lease prepayments		**570,605**	578,151
Intangible assets		**196,018**	200,152
Investment in associates		**172,756**	161,430
Prepayment for acquisition of equity interests		**–**	50,000
Goodwill		**272,224**	251,962
Deferred tax assets		**100,326**	113,963
		4,775,138	4,781,176
Current assets			
Derivative financial instruments		**1,227**	3,210
Inventories	*12*	**3,856,692**	3,676,319
Contract assets		**774,242**	919,042
Trade and bills receivables	*13*	**2,634,336**	2,715,828
Deposits, other receivables and prepayments		**983,820**	884,109
Amounts due from related parties	*21(b)*	**159,179**	128,568
Restricted bank deposits	*14(a)*	**243,710**	257,029
Cash and cash equivalents	*14(b)*	**2,330,622**	2,534,752
		10,983,828	11,118,857
Current liabilities			
Derivative financial instruments		**3,205**	876
Lease liabilities		**7,670**	8,496
Bank loans	*15*	**570,509**	263,955
Loans from related parties	*21(c)*	**346,703**	186,402
Other borrowings		**9,683**	21,586
Trade and bills payables	*16*	**2,241,025**	2,420,392
Contract liabilities		**2,847,647**	2,870,689
Other payables and accrued expenses		**1,336,166**	1,375,569
Amounts due to related parties	*21(b)*	**100,797**	84,200
Warranty provision		**97,314**	113,915
Income tax payable		**44,809**	51,226
Employee benefit liabilities		**555**	511
		7,606,083	7,397,817
Net current assets		**3,377,745**	3,721,040
Total assets less current liabilities		**8,152,883**	8,502,216

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans	*15*	**283,180**	544,144
Warranty provision		**93,505**	67,880
Deferred tax liabilities		**210,457**	199,639
Deferred income		**253,868**	235,858
Employee benefit liabilities		**4,255**	4,603
Other borrowings		**46,072**	38,455
Lease liabilities		**24,502**	27,126
		915,839	1,117,705
NET ASSETS		**7,237,044**	7,384,511
CAPITAL AND RESERVES			
Share capital		**18,372**	18,371
Reserves	*18*	**6,982,439**	7,117,737
Equity attributable to equity shareholders of the Company		**7,000,811**	7,136,108
Non-controlling interests		**236,233**	248,403
TOTAL EQUITY		**7,237,044**	7,384,511

The notes on pages 11 to 28 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 *(Note 17(b))*	Contributed surplus RMB'000 *(Note 18(b))*	Capital reserve RMB'000 *(Note 18(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 18(d))*	Retained 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 on exercise of share options	17	8,202	–	–	(2,400)	–	–	–	5,819	–	5,819
Shares held for share award scheme – vesting of 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 by non-controlling interests	–	–	–	–	–	–	–	–	–	37,500	37,500
2018 final dividend paid	–	–	–	–	–	–	–	(246,109)	(246,109)	–	(246,109)
Dividend distribution 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 shareholders 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

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 *(Note 17(b) & (c))*	Contributed surplus RMB'000 *(Note 18(b))*	Capital reserve RMB'000 *(Note 18(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 18(d))*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	18,371	446,705	(101,813)	1,124,571	162,982	(376,758)	553,732	5,308,318	7,136,108	248,403	7,384,511
Profit for the period	-	-	-	-	-	-	-	215,993	215,993	(10,763)	205,230
Currency translation differences	-	-	-	-	-	(16,839)	-	-	(16,839)	-	(16,839)
Total comprehensive income for the period	-	-	-	-	-	(16,839)	-	215,993	199,154	(10,763)	188,391
Issuance of shares on exercise of share options	1	166	-	-	(1,493)	-	-	1,443	117	-	117
Purchase of shares under share award scheme	-	-	(18,672)	-	-	-	-	-	(18,672)	-	(18,672)
Shares held for share award scheme – vesting of shares	-	34,257	41,903	-	(34,257)	-	-	-	41,903	-	41,903
Equity-settled share-based transactions (note 17)	-	-	-	-	6,581	-	-	-	6,581	-	6,581
Transfer to general reserve	-	-	-	-	-	-	12,115	(12,115)	-	-	-
2019 final dividend paid	-	-	-	-	-	-	-	(364,380)	(364,380)	-	(364,380)
Dividend distribution by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,407)	(1,407)
Total contributions by and distributions to shareholders of the Company, recognised directly in equity	1	34,423	23,231	-	(29,169)	-	12,115	(375,052)	(334,451)	(1,407)	(335,858)
At 30 June 2020	18,372	481,128	(78,582)	1,124,571	133,813	(393,597)	565,847	5,149,259	7,000,811	236,233	7,237,044

The notes on pages 11 to 28 form an integral part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Operating activities			
Cash generated from/(used in) operations		**272,276**	(221,479)
Income tax paid		**(44,810)**	(74,645)
Net cash generated from/(used in) operating activities		**227,466**	(296,124)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(162,161)**	(146,603)
Payment for lease prepayments		**–**	(9,521)
Payment for acquisition of intangible assets		**(3,592)**	(1,623)
Acquisition of subsidiaries	22(c)	**(52,280)**	(118,558)
Capital contribution to associates		**(11,948)**	(14,000)
Proceeds from disposal of property, plant and equipment		**5,680**	18,227
Interest received	6(a)	**5,807**	6,821
Dividends from associates		**4,850**	2,664
Cash (paid to)/received from settlement of derivative financial instruments		**(1,019)**	3,980
Net cash used in investing activities		**(214,663)**	(258,613)
Financing activities			
Proceeds from new bank loans		**174,821**	334,554
Repayment of bank loans		**(141,446)**	(614,284)
Interest paid		**(16,720)**	(22,074)
Proceeds from issuance of ordinary shares on exercise of share options		**117**	5,819
Purchase of shares under share award scheme		**(18,672)**	–
Dividend paid to non-controlling interests		**(1,407)**	(1,915)
Dividend paid to the Company's shareholders		**(364,380)**	(246,109)
Proceeds from loans from related parties		**235,301**	10,000
Repayment of loans from related parties		**(75,000)**	(25,000)
Repayment of other borrowings		**(5,646)**	(4,088)
Repayment of lease liabilities		**(4,553)**	(2,036)
Capital contribution by non-controlling interests		**–**	37,500
Net cash used in financing activities		**(217,585)**	(527,633)
Net decrease in cash and cash equivalents		**(204,782)**	(1,082,370)
Cash and cash equivalents at 1 January	14(b)	**2,534,752**	2,930,271
Effect of foreign exchange rate changes		**652**	8,392
Cash and cash equivalents at 30 June	14(b)	**2,330,622**	1,856,293

The notes on pages 11 to 28 form an integral part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 General information

CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design, development, manufacturing, engineering, 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.

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

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

This condensed consolidated interim financial report was approved for issue on 20 August 2020.

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

2 Significant accounting policies

(a) Basis of preparation of the interim financial report

This interim financial report for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of amended standards as set out below.

(b) Amended standards adopted by the Group

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

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Hedge accounting (amendments) – HKAS 39, HKFRS 7 and HKFRS 9
- Definition of a Business – Amendments to HKFRS 3, and
- Revised Conceptual Framework for Financial Reporting

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

(c) 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 2020 and have not been early adopted:

	Effective for accounting periods beginning on or after
Presentation of financial statements on classification of liabilities – Amendments to HKAS 1	1 January 2022
Business combinations – Amendments to HKFRS 3	1 January 2022
Property, plant and equipment – Amendments to HKAS 16	1 January 2022
Provisions, contingent liabilities and contingent assets – Amendments to HKAS 37	1 January 2022
First-time Adoption of HKFRS – Annual improvements to HKFRS 1	1 January 2022
Financial instruments – Annual improvements to HKFRS 9	1 January 2022
HKFRS 17, Insurance Contracts	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 new and amended accounting standards have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. 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 Fair value measurement of financial instruments

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

The different levels of fair value estimation have been defined as follows:

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 on a recurring basis:

	At 30 June 2020 Level 2 RMB'000	At 31 December 2019 Level 2 RMB'000
Financial assets		
– FVPL – foreign currency forwards	**1,227**	3,210
Financial liability		
– FVPL – foreign currency forwards	**3,205**	876

As at 30 June 2020, the Group's financial instruments measured at fair value through profit or loss ("FVPL") were derivative financial instruments arising from forward exchange contracts which were classified as level 2. The fair value of financial instruments that are not traded in an active market (for example, over – the – counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where they are available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2020.

(b) Valuation techniques used to determine fair value

Level 2 financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates at the balance sheet date.

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

(c) Fair value of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts, since they are either close to current market rates or short-term in nature.

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 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 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 valued-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 key equipment research and development and manufacturing, and professional consulting services in relation to environmental protection.

- Liquid food: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and 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	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Revenue from external customers	**2,993,243**	3,120,071	**1,072,219**	1,932,867	**1,021,611**	1,507,136	**5,087,073**	6,560,074
Inter-segment revenue	**3,958**	932	**25,762**	12,471	**-**	–	**29,720**	13,403
Reportable segment revenue	**2,997,201**	3,121,003	**1,097,981**	1,945,338	**1,021,611**	1,507,136	**5,116,793**	6,573,477
Timing of revenue recognition								
At a point in time	**2,757,550**	2,384,695	**1,097,981**	1,945,338	**-**	–	**3,855,531**	4,330,033
Over time	**239,651**	736,308	**-**	–	**1,021,611**	1,507,136	**1,261,262**	2,243,444
Reportable segment profit (adjusted profit from operations)	**125,768**	185,489	**107,753**	307,400	**74,811**	132,196	**308,332**	625,085

	Clean energy		Chemical and environmental		Liquid food		Total	
	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000	**At 30 June 2020 RMB'000**	At 31 December 2019 RMB'000	**At 30 June 2020 RMB'000**	At 31 December 2019 RMB'000	**At 30 June 2020 RMB'000**	At 31 December 2019 RMB'000
Reportable segment assets	**9,648,732**	9,485,979	**1,793,804**	1,953,214	**2,378,548**	2,652,152	**13,821,084**	14,091,345
Reportable segment liabilities	**4,693,347**	4,908,079	**584,091**	707,496	**1,571,647**	1,612,282	**6,849,085**	7,227,857

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**5,116,793**	6,573,477
Elimination of inter-segment revenue	**(29,720)**	(13,403)
Unallocated revenue	**232,279**	24,344
Consolidated revenue	**5,319,352**	6,584,418

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit		
Reportable segment profit	**308,332**	625,085
Release/(elimination) of inter-segment profit	**11,805**	(5,725)
Reportable segment profit derived from the Group's external customers	**320,137**	619,360
Finance costs	**(23,603)**	(31,452)
Share of post-tax profit of associates	**4,228**	–
Unallocated operating expenses	**(32,359)**	(113,461)
Consolidated profit before taxation	**268,403**	474,447

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
Assets		
Reportable segment assets	**13,821,084**	14,091,345
Elimination of inter-segment receivables	**(229,864)**	(207,087)
	13,591,220	13,884,258
Deferred tax assets	**100,326**	113,963
Unallocated assets	**2,067,420**	1,901,812
Consolidated total assets	**15,758,966**	15,900,033

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Liabilities		
Reportable segment liabilities	**6,849,085**	7,227,857
Elimination of inter-segment payables	**(229,864)**	(207,087)
	6,619,221	7,020,770
Income tax payable	**44,809**	51,226
Deferred tax liabilities	**210,457**	199,639
Unallocated liabilities	**1,647,435**	1,243,887
Consolidated total liabilities	**8,521,922**	8,515,522

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

5 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	
	2020 RMB'000	2019 RMB'000
Sales of goods	**4,058,090**	4,340,974
Revenue from project engineering contracts	**1,261,262**	2,243,444
	5,319,352	6,584,418

6 Other revenue and other income, net

(a) Other revenue

	Note	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Government grants	*(i)*	**25,987**	23,401
Other operating revenue	*(ii)*	**73,570**	107,450
Interest income from bank deposits		**5,807**	6,821
		105,364	137,672

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

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

(b) Other income, net

	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Write-back of payables (i)	**46,588**	45,407
Foreign exchange gain	**17,140**	256
Other net income	**3,816**	7,329
	67,544	52,992

(i) The amounts mainly represents write-back of customs payable of RMB36,858,000 (six months ended 30 June 2019: RMB24,029,000). In prior years, the Group had provided customs payable on certain bonded materials that were not expected to be exported. During the period, the Group exported products which contained the abovementioned bonded materials and thus the corresponding customs payable was written back as the Group was no longer obliged to pay the customs on those bonded materials.

7 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Interest on loans, lease liabilities and other borrowings	**19,948**	22,895
Less: interest capitalised	**(1,123)**	–
Bank charges	**4,778**	8,557
	23,603	31,452

(b) Other items

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Research and development costs	**130,088**	125,015
Depreciation of property, plant and equipment	**127,512**	120,922
Provision for product warranties	**30,599**	31,030
Amortisation of intangible assets	**18,508**	17,758
Operating lease charges for property rental	**10,953**	12,132
Amortisation of lease prepayments	**7,546**	7,671
Equity-settled share-based payment expenses	**6,581**	28,680
Depreciation of right-of-use assets	**4,482**	2,519

(c) Net impairment loss on financial assets

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Impairment provision for trade receivable	**38,338**	24,989
Reversal of impairment provision for trade receivables	**(16,788)**	(11,256)
Impairment provision/(reversal) of impairment provision for other receivables and contract assets	**2,323**	(108)
	23,873	13,625

8 Income tax expenses

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax	**56,800**	73,873
Deferred income tax	**6,373**	13,141
	63,173	87,014

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 2020, 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%, 33.99%, 25%, 30%, 20% and 17%, respectively, in the relevant countries and are calculated on a stand-alone basis.

9 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	
	2020	2019
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**215,993**	382,879

	Six months ended 30 June	
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,983,754,211**	1,957,822,779
Effect of dilutive potential ordinary shares in respect of the Company's share option scheme and share award schemes (note 17)	**5,913,577**	23,246,269
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,989,667,788**	1,981,069,048

10 Property, plant and equipment

During the six months ended 30 June 2020, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB103,028,000 (six months ended 30 June 2019: RMB530,747,000). Items of property, plant and equipment with net book value totalling RMB6,173,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB18,095,000). As at 30 June 2020, no property, plant and equipment was pledged as collateral for the Group's borrowings (31 December 2019: nil).

11 Right-of-use assets

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening net book value	**33,718**	16,667
Depreciation	**(4,482)**	(2,519)
Exchange adjustment	**43**	1
Closing net book value	**29,279**	14,149

As at 30 June 2020, right-of-use assets also included the lease prepayments of RMB570,605,000 which is separately presented on the consolidated balance sheet (31 December 2019: RMB578,151,000).

12 Inventories

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Raw materials	**1,213,085**	938,035
Consignment materials	**6,086**	96,540
Work in progress	**1,706,206**	1,568,133
Finished goods	**931,315**	1,073,611
	3,856,692	3,676,319

13 Trade and bills receivables

An ageing analysis of trade and bills receivables, presented on the basis of the past due date and categorised into time-bands based on analysis used by the management to monitor the Group's financial position, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current	**2,000,610**	1,933,485
Less than 3 months past due	**206,951**	372,202
More than 3 months but less than 12 months past due	**289,818**	254,569
More than 1 year but less than 2 years past due	**75,950**	91,857
More than 2 years but less than 3 years past due	**23,661**	23,327
More than 3 years past due	**37,346**	40,388
Amounts past due	**633,726**	782,343
	2,634,336	2,715,828

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.

14 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits for banking facilities	**243,710**	257,029

(b) Cash and cash equivalents

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash in hand and demand deposits	**2,330,622**	2,534,752

15 Bank loans

At 30 June 2020, the bank loans were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	**570,509**	263,955
After 1 year but within 2 years	**283,180**	265,096
After 2 years but within 5 years	**–**	279,048
	853,689	808,099

At 30 June 2020, all the bank loans were unsecured. None of the Group's bank loans were under the terms of cross-guarantee provided by the subsidiaries of the Company (31 December 2019: nil). The annual rate of interest charged on the bank loans ranged from 1.88% to 4.35% for the six months ended 30 June 2020 (six months ended 30 June 2019: 3.69% to 7.60%).

16 Trade and bills payables

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade creditors	**1,992,492**	2,155,947
Bills payables	**248,533**	264,445
	2,241,025	2,420,392

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	**1,605,277**	2,020,582
3 months to 12 months	**451,626**	217,230
Over 12 months	**184,122**	182,580
	2,241,025	2,420,392

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

17 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 30 June 2020, no option under Scheme II has been granted.

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options expired on 11 November 2019 and no shares were outstanding and exercisable.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2020 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 1.326 years. As at 30 June 2020, 17,204,000 of these options were outstanding and exercisable.

On 5 June 2014, 38,420,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2020 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 3.931 years. As at 30 June 2020, 32,860,000 of these options were outstanding and exercisable.

(b) Restricted share award scheme

The Company's shareholders approved the Restricted Share Award Scheme (2018) (the "Award Scheme") on 10 August 2018. Subsequently 46,212,500 restricted shares were issued and allotted to a trustee which holds the restricted shares on behalf of the selected participants until the restricted shares are vested. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the issue of the restricted Shares to the vesting date (both dates inclusive) of such restricted shares, which shall however only be vested by the relevant selected participant on the vesting date subject to fulfilment of vesting conditions of the restricted shares.

The selected participants include certain Directors of the Company, certain members of senior management and employees of the Group who under the terms of the Award Scheme subscribed for the restricted shares at HKD 3.71 per share.

Under the terms of the Award Scheme, if the vesting conditions are fulfilled, the restricted shares shall be vested by 30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively.

For the selected participants who do not meet the vesting conditions, the unvested restricted shares remaining at the end of the Award Scheme are to be forfeited.

As at 30 June 2020, 19,096,700 of these restricted shares were outstanding.

(c) Share award scheme 2020

The Board of the Company adopted the Share Award Scheme 2020 (the "Award Scheme 2020") on 3 April 2020. According to the Award Scheme 2020, the Board may at its absolute discretion select any employee of the Group to be an eligible participant under the Scheme. The Board may also determine the number of shares to be granted (subject to fulfillment of any vesting conditions) and the consideration (if any) to be paid by an eligible participant. The Board has appointed a trustee to purchase of shares of the Company on the Stock Exchange out of the Company's resources. The trustee shall hold such shares in accordance with the terms of the trust deed and shall transfer such shares to the relevant participants after all the relevant vesting conditions are fulfilled.

As of 30 June 2020, the trustee has purchased 5,774,000 shares of the Company under the Award Scheme 2020 and no shares have been granted to any employee.

18 Capital, reserves and dividends

(a) Dividends

Final dividend of RMB364,380,000 in relation to the year ended 31 December 2019 was paid in 2020 (final dividend of RMB246,109,000 in relation to the year ended 31 December 2018 was paid in 2019).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

(b) Contributed surplus

The contributed surplus of the Group includes the difference between:

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

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

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

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

(v) the nominal value of the share capital of Burg Service B.V. acquired of RMB1,263,000; and the aggregate cash consideration paid by the Group of RMB11,737,000 for the acquisition of Burg Service B.V. during the year ended 31 December 2015.

(c) Capital reserve

The capital reserve of the Group includes:

(i) the portion of the grant date fair value of unexercised share options and restricted award shares granted to Directors, employees and other eligible persons of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments;

(ii) the capital reserve arising from the transactions with non-controlling interests.

(d) General reserve fund

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

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

19 Commitments

(a) Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for		
– Production facilities	**110,826**	97,062

(b) At 30 June 2020, total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	**5,717**	1,055
After 1 year but within 5 years	**506**	3
	6,223	1,058

The Group has already adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. For the six months ended 30 June 2020, the future minimum lease payments mainly include the short-term leases and low-value leases which are out of scope of HKFRS 16. The Group leases a number of motor vehicle, properties and office equipment under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

20 Contingencies

(a) Contingencies related to litigation

EIHL received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court 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 SinoPacific Offshore & Engineering Co., Ltd. ("SOE") from SOEG in 2015.

On 27 August 2015, EIHL entered into an agreement in relation to the equity transfer of SOE with SOEG and Jiangsu Pacific Shipbuilding Group Co., Ltd. (collectively referred to as "Vendors"), where EIHL agreed to acquire 33.36% equity interests in SOE held by SOEG for a consideration of RMB233,520,000. EIHL paid the first instalment of consideration and the equity transfer completion was conditional on the satisfaction or waiver of conditions precedent. On 17 December 2015, due to the reduction of SOE's net asset value and that the anticipated profitability of SOE in 2015–2016 was below previous estimation, a supplemental agreement was entered into with the Vendors, which reduced the consideration payable to RMB200,160,000. As the Directors considered the Vendors had breached certain material terms of the equity transfer agreement, in June 2017, EIHL delivered termination notices to the Vendors and requested to return the first instalment of consideration.

In June 2020, Jiangsu Province Nantong Intermediate People's Court rendered the Judgment of first instance that dismissing the claims made by SOEG. Subsequently, SOEG disputed the Judgment of first instance and filed an appeal to Jiangsu Province High People's Court. EIHL received an appeal of SOEG delivered from Jiangsu Province Nantong Intermediate People's Court in July 2020. The time for second instance has not yet been determined.

The Directors of the Company were of the view that no provision shall be necessary on the litigation claims as at 30 June 2020 after taking into account of the current status of the litigation.

(b) Guarantee

The Group has provided guarantee to a third party customer in respect of the financing provided to that customer from other parties. As at 30 June 2020, the amount of guarantee provided was approximately RMB11,676,000 (31 December 2019: RMB16,754,000). The Directors of the Company have determined that no provision for the outstanding amount is required as the customer has no history of default and the guarantee provided represents a contingent liability.

(c) Performance guarantees

As at 30 June 2020, the Group had outstanding performance guarantees issued by relevant banks totalling RMB592,602,000 (31 December 2019: RMB369,932,000).

21 Related party transactions

(a) Transactions with CIMC and its subsidiaries and associates

		Six months ended 30 June	
	Note	**2020 RMB'000**	2019 RMB'000
Nature of transactions			
Sales	*(i)*	**44,294**	70,420
Purchases	*(ii)*	**55,517**	58,660
Comprehensive charges	*(iii)*	**793**	4,262
Processing charges	*(iv)*	**7,440**	10,348
Processing income	*(v)*	**350**	734
Office services income	*(vi)*	**690**	111
Loans from related parties	*(vii)*	**235,301**	10,000
Repayment of loans from related parties	*(vii)*	**75,000**	25,000
Loan interest expenses	*(vii)*	**5,436**	424
Deposit service	*(viii)*	**414,028**	529,457
Interest income from deposits	*(viii)*	**1,535**	2,757
Subcontracting services	*(ix)*	**16,289**	–

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 3.40% to 4.75% (2019: 4.20% to 5.44%) per annum and are repayable within a year.

(viii) Deposit service represents deposit acceptance service provided by a related party to the Group. The amount represents the maximum daily outstanding balance of the Group's deposits placed with the related party. The deposits bear interest from 0.46% to 3.95% (2019: 0.46% to 3.95%) and can be withdrawn on demand.

(ix) Subcontracting services mainly represent services for construction of an entire ship or any parts thereof and other related services provided to the Group by related parties.

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

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables for products sold	**159,179**	128,568
Trade payables for raw material purchased and receipts in advance for sales	**(100,797)**	(84,200)

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

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

(c) Loans from related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Loans from related parties	**346,703**	186,402

The loans are unsecured, interest bearing from 3.40% to 4.75% (2019: 4.20% to 5.44%) per annum and are repayable within a year.

(d) Deposits placed with a related party

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits	**410,499**	404,495

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

(ii) The deposits are included as part of the Group's cash and cash equivalents (note 14(b)).

(e) Immediate and ultimate controlling party

As at 30 June 2020, the Directors consider the immediate parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2020, the Directors consider the ultimate controlling party of the Company to be China International Marine Containers (Group) Co., Ltd. which is incorporated in the People's Republic of China. This entity produces financial statements available for public use.

22 Business combination

(a) On 1 January 2020, the Group acquired all shares of Lindenau Full Tank Services GmbH ("LFTS"), a company that is principally engaged in production, repair and maintenance of all kinds of tank containers and trailers, as well as in repair and maintenance of cryogenic equipment, at a cash consideration of EUR3,010,000 (equivalent to approximately RMB23,328,000) from a third party.

(b) On 3 April 2020, the Group acquired all shares of McMillan (Coppersmiths & Fabricators) Ltd. ("McMillan"), a company that is principally engaged in production and sale of copper equipment in the distilling and brewing industry, at a cash consideration of GBP3,800,000 (equivalent to approximately RMB33,223,000) from third parties.

(c) The following table summarises the considerations paid or payable and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition date.

	LFTS RMB'000	**McMillan** RMB'000	**Total** RMB'000
Purchase consideration			
– Cash paid	23,328	33,223	56,551

Recognised amounts of identifiable assets acquired and liabilities assumed:

		Provisional fair value	
	LFTS RMB'000	**McMillan** RMB'000	**Total** RMB'000
Cash and cash equivalents	2,015	2,256	4,271
Property, plant and equipment	9,013	10,972	19,985
Intangible assets	256	–	256
Inventories	4,619	316	4,935
Construction in progress	2,767	–	2,767
Trade and bills receivables	3,650	428	4,078
Other receivables, deposits and prepayments	496	–	496
Deferred tax assets	1,085	–	1,085
Trade and bills payables	(472)	(2,824)	(3,296)
Other payable and accrued expense	(3,883)	(210)	(4,093)
Deferred tax liabilities	–	(761)	(761)
Total identifiable net assets	19,546	10,177	29,723
Goodwill	3,782	23,046	26,828
	23,328	33,223	56,551

	LFTS RMB'000	**McMillan** RMB'000	**Total** RMB'000
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	23,328	33,223	56,551
– cash and cash equivalents in the subsidiaries acquired	(2,015)	(2,256)	(4,271)
Net cash outflow on acquisition	21,313	30,967	52,280

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 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 engineering, procurement and construction ("**EPC**") 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 segment uses several brand names, 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 key equipment R&D and manufacturing, and professional consulting service in relation to environmental protection.

The products and service of this segment are branded under the names "**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.

The products and service of this segment are branded under the names "**Ziemann Holvrieka**", "**Briggs**", "**DME**", "**NSI**" and "**McMillan**".

Operational Performance

Revenue

During the first half of 2020, due to the outbreak of novel coronavirus ("**COVID-19**") pandemic, governments of various countries have implemented different levels of quarantine and lockdown measures which severely affected the global economic activities and international trading activities. These, in turn, triggered a fall in the demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases and a lower level of order intake for this transportation equipment. Therefore, the chemical and environmental segment's revenue for the period experienced a decline. Moreover, some staff of the Group had difficulty in reporting duty which affected production, and the supply chain and other commercial activities were also adversely affected, causing delay in production activities; due to suspension of customers' business operations, the Group's on-site construction projects (especially projects in overseas) were delayed to various extents. Since the production activities and business operation of the Group's subsidiaries located in China and overseas had been adversely affected to various extents, resulting in delayed fulfillment of orders especially for both the clean energy and the liquid food segments. Consequently, the Group was unable to fully convert the orders on hand into revenue during the reporting period.

Nevertheless, the Group did not experience any cancellation of orders due to the pandemic. With the pandemic gradually getting under control, the Group is confident that in the second half of 2020, it will make up the progress in those delayed orders and on-site construction projects and expects to fulfill delivery of good and services that were originally scheduled for completion in the first half of 2020. The consolidated revenue for the first half of 2020 fell by 19.2% to RMB5,319,352,000 (corresponding period in 2019: RMB6,584,418,000). The performance of each segment is discussed below:

During the first half of 2020, the clean energy segment's revenue fell by 4.1% to RMB2,993,243,000 (corresponding period in 2019: RMB3,120,071,000) mainly because of delay in delivery and fulfillment of customers' order due to the suspension of production and on-site work caused by the COVID-19 lockdown measures. However, this was mitigated to some extent by rise in sales of on-vehicle LNG fuel tanks in response to an increased demand for LNG-powered heavy-duty trucks with China adopting a more stringent vehicle emission standard. The segment remains the top grossing segment and contributed 56.3% (corresponding period in 2019: 47.4%) of the Group's total revenue.

As the two years of 2017 and 2018 recorded substantial revenue increase, the demand for standard tank containers has been declining since the second half of 2019. Coupled with the pandemic's negative impact on international trade, the chemical and environmental segment's revenue posted a fall of 44.5% to RMB1,072,219,000 (corresponding period in 2019: RMB1,932,867,000). The segment made up 20.2% of the Group's total revenue (corresponding period in 2019: 29.4%).

Since most of the liquid food segment's business involves on-site construction, there were a large degree of delay in performing on-site construction work during the period and project deliveries were behind schedule. Therefore, the liquid food segment's revenue experienced a drop of 32.2% to RMB1,021,611,000 during the period (corresponding period in 2019: RMB1,507,136,000). The segment accounted for 19.2% of the Group's total revenue (corresponding period in 2019: 22.9%).

Gross profit margin and profitability

The clean energy segment's gross profit margin ("**GP margin**") fell to 12.8% (corresponding period in 2019: 14.3%). The fall is mainly because the factories experienced different degrees of production suspension, the production capacity was reduced by 1.5 months compared with same period last year and adversely affected clean energy segment's economies of scale and hence its GP margin performance. As for the chemical and environmental segment, its GP margin saw a slight boost from 15.4% in the same period last year to 16.2% during the period. The demand for standard tank containers (with relatively lower GP margin) saw a higher level of decline while that for special tank containers (with relatively higher GP margin) experienced a lower level of decline and further impacted by the segment's service revenue that commands a higher GP margin; this change in the product and service mix slightly boosted the segment's GP margin in the period. As most of the liquid food segment's business involves on-site construction, during the period most projects of the segment recognised gross profit at the budgeted GP margin range as usual and the current period's GP margin of the segment is comparable to 2019's annual GP margin of 19.4%.

As both chemical and environmental and liquid food segments, which both have relatively higher GP margin than clean energy segment, decreased their revenue contributions in comparison with clean energy segment, causing the Group's overall GP margin to drop by 1.1 percentage points to 14.2% (corresponding period in 2019: 15.3%).

In response to the challenging business environment, the management of the Company has been closely monitoring market conditions and has implemented a series of measures to expand income sources and control costs, including but not limited to proactively increasing order intakes, negotiating with business partners for more favourable terms, controlling and reducing unnecessary capital expenditure and expenses.

Profit from operations expressed as a percentage of revenue declined by 2.3 percentage points from 7.7% from the same period last year to 5.4% during the current period which indicates the Group's operating expenses did not decline at the same rate as gross profit did. A decline in gross profit and administrative expenses falling at a slower rate than revenue combined to cause profit from operations to fall by 43.1%.

During the period, income tax expense fell by 27.4% to RMB63,173,000 (corresponding period in 2019: RMB87,014,000) and the effective tax rate rose from 18.3% in the same period of 2019 to 23.5% in the current period. The rise in the effective tax rate comparing with the same period last year was mainly attributable to a change in the mix of profit before taxation contribution from different segments with the clean energy and liquid food segments that have higher tax rates contributing more than chemical and environmental segment.

Financial Review

Liquidity and financial resources

At 30 June 2020, the cash and cash equivalents of the Group amounted to RMB2,330,622,000 (31 December 2019: RMB2,534,752,000). A portion of the Group's bank deposits totalling RMB243,710,000 (31 December 2019: RMB257,029,000), 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. Consistently, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2020, the Group's bank loans and overdrafts amounted to RMB853,689,000 (31 December 2019: RMB808,099,000), 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 1.88% to 4.35% per annum. At 30 June 2020, the Group did not have any secured bank loan (31 December 2019: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (31 December 2019: nil). As at 30 June 2020, loans from related parties amounted to RMB346,703,000 (31 December 2019: RMB186,402,000), which are unsecured, interest bearing from 3.40% to 4.75% (31 December 2019: 4.2% to 5.44%) 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 2019: zero times) as the Group retained a net cash balance.

Despite a decreased revenue, the Group maintained an inflow from operating activities of RMB227,466,000 (corresponding period in 2019: outflow of RMB296,124,000) mainly due to a more stringent control on operational payments and accounts receivable collection. Moreover, the balance of trade and bills receivables declined from RMB2,715,828,000 at 31 December 2019 to RMB2,634,336,000 at 30 June 2020 also contributed to the inflow from operating activities. 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 RMB214,663,000 (corresponding period in 2019: RMB258,613,000). This is mainly attributable to the acquisition of non-current assets for production and operation which amounted to RMB162,161,000 (corresponding period in 2019: RMB146,603,000), and acquisition of subsidiaries and capital contribution to associates totalling RMB64,228,000 (corresponding period in 2019: RMB132,558,000).

The net cash used in financing activities amounted to RMB217,585,000 (corresponding period in 2019: RMB527,633,000). This is mainly because during the period, 2019 final dividends paid to the Company's shareholders amounted to RMB364,380,000, increased by RMB118,271,000 compared with corresponding period in 2019. However, the net drawdown of bank loans and loans from related parties amounted to an inflow of RMB193,676,000 (corresponding period in 2019: net repayment of RMB294,730,000) and to offset to extent the dividend payout.

As a result, the cash outflow of the Group during the period totalled RMB204,782,000 (corresponding period in 2019: RMB1,082,370,000).

The Group's interest coverage was 14.5 times for the period (corresponding period in 2019: 21.7 times) which demonstrates the Group is fully capable of meeting its interest expense obligations. While the Group is still in a stable financial position and able to fulfill its interest obligations, the Group will further strengthen control over its cash resources in response to the COVID-19 induced global economic downturn to ensure the Group's ability to navigate through these troubled times.

Assets and liabilities

At 30 June 2020, total assets of the Group decreased by RMB141,067,000 to RMB15,758,966,000 (31 December 2019: RMB15,900,033,000). Non-current assets decreased by RMB6,038,000, current assets decreased by RMB135,029,000. At 30 June 2020, total liabilities of the Group increased by RMB6,400,000 to RMB8,521,922,000 (31 December 2019: RMB8,515,522,000). The net asset value declined by RMB147,467,000 to RMB7,237,044,000 (31 December 2019: RMB7,384,511,000) which was mainly attributable to the payment of 2019's final dividend of RMB364,380,000 and was offset to some extent by the net profit of RMB205,230,000 during the period. As the total liabilities increased and the total assets decreased, the Group's debt to asset ratio slightly rose to 54.1% at 30 June 2020 from 53.6% at 31 December 2019. As a result, the net asset value per share declined slightly to RMB3.600 at 30 June 2020 from RMB3.673 at 31 December 2019.

Contingent liabilities

At 30 June 2020, the Group had outstanding balance of guarantees issued by relevant banks totaling RMB592,602,000 (31 December 2019: RMB369,932,000).

CIMC Enric Investment Holdings (Shenzhen) Ltd. ("**EIHL**") received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court 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. In June 2020, the court rendered the judgment of first instance in dismissing the claims made by SOEG. Subsequently, SOEG disputed the judgment of first instance and filed an appeal in July 2020. The time for second instance is yet to be determined. 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 2020.

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 2020, the Group had contracted but not provided for capital commitments of RMB110,826,000 (31 December 2019: RMB97,062,000), while the Group did not have any authorised but not contracted for capital commitments (31 December 2019: 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 2020, the Group invested RMB229,981,000 (corresponding period in 2019: RMB290,305,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures.

Employees and remuneration policies

At 30 June 2020, the total number of employees of the Group was approximately 9,800 (corresponding period in 2019: approximately 10,000). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB773,483,000 (corresponding period in 2019: RMB864,635,000). The decline in total staff costs were mainly attributable to a reduced production level, lower expenditure and the fall in equity-settled share-based payment expenses during the period.

During the period, the Company adopted the Share Award Scheme 2020 (the "**Scheme**") with the intention to (a) provide employees and other eligible participants with an opportunity to own shares in the Company thereby aligning their interests with that of the Company's shareholders; (b) motivate employees and other eligible participants to benefit from value enhancement through attainment of performance targets; and (c) encourage and retain employees and other eligible participants to contribute to the long-term and sustainable growth of the Group. The Scheme forms part of the overall incentive plan for the employees of the Group and the shares to be granted under the Scheme shall be in lieu of part of the cash bonus awarded under the overall incentive plan.

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 2019.

Business Review by Segments

Clean Energy

Although affected by the outbreak of COVID-19 to some extent, the natural gas consumption in China continued to grow in the first half of 2020. In relation to natural gas storage, demand for large-sized cryogenic storage tanks projects has risen due to the government's emphasis on LNG peak-shaving infrastructures. In relation to natural gas transportation, spot LNG price is lower compared with pipeline gas, which promoted LNG import and also the sales of LNG transportation equipment such as LNG trailers. Production of small-to-medium sized liquefied gas carriers has been in progress as usual. Comparing to alternative energy, price advantage of LNG has promoted a rapid growth in end consumption of natural gas in traffic sector as fuel, resulting in a higher growth in LNG on-vehicle cylinder and LNG fuel tank for vessel. Despite the fact that the factories experienced different degrees of production suspension, the production capacity was reduced by 1.5 months compared with the same period last year due to the outbreak of COVID-19, the demand for natural gas related equipments and engineering services has seen recovery since second quarter. The revenue of this segment for the first half of 2020 slightly decreased by 4.1% to RMB2,993,243,000 (corresponding period in 2019: RMB3,120,071,000).

Prospects

Benefitting from the rapid control over the outbreak of COVID-19 in China, the resumption of work and production has been proceeding in an orderly manner and the economic recovery in China has been under way since the second quarter of 2020 with positive outlook in general. Natural gas consumption in China for the first half of 2020 continued to grow by 4% over the same period of 2019 to 155.6 billion cubic metres. The sufficient global supply of LNG maintained the LNG price at a low level in the first half of 2020, stimulating the domestic LNG consumption to 15.24 million tonnes for the first half of 2020, representing a year-on-year increase of 24%. Such an increase has bolstered a significant growth in demand for LNG transportation, storage and down-stream application equipment.

Following the implementation of the "Three-Year Action Plan for Winning the Blue Sky Defense Battle" for nearly two years, emission of major pollutants has significantly reduced but challenges remain. For example, emission of multiple major pollutants including sulphur dioxide in "2+26" cities has been in excess of 50% of environmental capacity. Ministry of Ecology and Environment prepared to launch an upgraded action plan which will be implemented by local governments. Control of PM 2.5 pollution has remained the key task of ecological and environmental protection under the "14th Five-Year Plan", industrial coal-to-gas conversion, natural gas heating and natural gas as fuel in transportation will create an enormous growth potential for natural gas. It is expected that the proportion of natural gas in primary energy consumption will continue to grow during the "14th Five-Year Plan" period.

With IMO regulations to reduce sulphur oxide emission came into force, more ships are converting to dual-fuel or LNG powered system. The economical benefits of LNG and policies on environmental protection have stimulated high demand for installation of on-board LNG fuel tank and LNG bunkering facilities correspondingly. In June 2020, the first LNG maritime bunkering centre in China was confirmed to be developed at a port in Shenzhen, seeing huge development potential in LNG maritime bunkering market.

Driven by the positive factors above, we are of the view that the Group's clean energy segment will benefit in general and maintain stable 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 optimises the high pressure equipment business including industrial gases (such as oxygen, nitrogen, argon and carbon dioxide), electron gas and CNG, with a view of 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 and related gas supply system, liquid helium tank container and small-sized skid-mounted liquefaction unit for well-head gas. The segment is negotiating for strategic cooperation with Hexagon, a company listed in Norway, for the development of the market of transportation and storage equipment for hydrogen in China, with an aim to create a new momentum for growth.

Research and development

During the first half of 2020, the clean energy segment has successfully completed a great number of research and development projects. For instance:

- Completed research and development of an intelligent LNG supply system on LNG on-vehicle cylinders, which stabilises the interior pressure and supplies natural gas to engine automatically.

- Successfully developed the world's first 45ft LNG tank containers and completed a new design of lightweight frame structure and high volume tank body with export orders completed.

- Completed research and development of a series of LNG tank containers such as 20ft and 40ft LNG tank containers with backdoor design which are for LNG-fired power plants.

- Successfully developed 52.6m^3 LEG trailer and 52.6 m^3 LNG trailer made with new material, the products have been sold in bulk.

- Successfully developed key storage equipment for city gas companies' newly developing "LPG micro grid" business that meet with national standards in China, i.e. trial production of LPG trailers with loading and unloading pump as well as fixed small-sized LPG storage tank attached thereto.

- Conducted research and development of transportation equipment for CAP1400 nuclear power plant, which is our exclusive product and it doubles the capacity of the traditional product. It features damage proof unit, pollution proof unit, maintaining product at a subcritical state when loading and unloading vertically.

- For electronic gases, B2 Grade Manufacturing Certificate for welding gas cylinder has been obtained, development of welding gas cylinder for electronic gases, such as WF6, has successfully completed, and the criterion for mass production have been fulfilled.

The segment also initiated a number of R&D projects during the first half of 2020, which are now on progress, such as research and development of mass production of LPG small tank with Korean Gas Safety (KGS) certification, 630MPa high-strength steel tanker, large-sized LPG bullet tank, large-sized ASME standard LPG spherical tank as well as large volume ethylene trailer and LNG trailer with pump.

To facilitate sustainable development, the segment has been vigorously engaged in the research and development for other new energy applications, and great achievement has been made in research on hydrogenic energy equipment and its application.

- Developed 50MPa steel hydrogen storage container which is in compliance with new national regulations and developed 110-liter, 140-liter and 165-liter hydrogen cylinder.

- Developed 30MPa tube bundle container for hydrogen delivery through various tests, which is of the highest pressure standard in China, and commercialisation of the container has commenced.

- Completed development and application of integrated solution for liquid hydrogen container, such as adiabatic system, supporting structure and safety design.

- Completed design of supporting structure of liquified hydrogen tank container, and making a major progress in insulation design of the product.

The development of new business and products has created additional growth momentum for the segment, enhancing its industry influence.

Chemical and Environmental

As both 2017 and 2018 recorded substantial revenue increase, the demand for standard tank containers has been declining since the second half of 2019. As the global economy becomes more unstable and the international trade has decreased significantly, there has been negative impact on the storage and transportation equipment for chemical goods since the first half of 2020, revenue of the chemical and environmental segment decreased by 44.5% to RMB1,072,219,000 (corresponding period in 2019: RMB1,932,867,000). The segment has purposefully applied cost driver analysis, enhancing overall budget management for effective cost control. In addition, the segment has accelerated its expansion from manufacturer to service provider, attempting to develop after-sales services and intelligent product business. At the beginning of 2020, the segment acquired all depots from Lindenau Full Tank Services GmbH in Germany and established an engineering and customer support centre in the UK, in order to further diversify its service capacity and expand its operation network across the world, consolidating its industrial leading position in global tank container market. In the first half of 2020, our share in tank container market recorded a moderate growth and remains the market leader.

Prospects

There has been organic growth and replacement growth in demand for tank container, the overall demand has maintained relatively stable even though annual demand may vary. In a long run, with replacement and upgrade of conventional transportation mode for chemical industry, as well as growing awareness of safety, eco-friendliness and high efficiency of transportation of dangerous goods, demand for tank containers in the emerging markets will increase, providing a growth momentum for the development of global tank container market. In conclusion, a green logistics mode with safer, more economical, more environmental-friendly and smarter applications will become the big trend of chemical transportation industry. Further, as the number of new chemical mediators and derivatives continue to emerge in line with the development of chemical industry, a relatively significant growth in special tank container market is expected.

In 2020, overall demand for tank container has plunged due to the impacts of the global outbreak of COVID-19, further deteriorating competitive landscape in the market. As tank container manufacturing is going through an industry reshuffle and a substantial shrinkage in business volume of our competitors at home and abroad is inevitable, this segment has to withstand short-term pressure, but our market position will be further consolidated in the long run. Meanwhile, there is restructuring of chemical industrial parks and tightened regulation on standardised operation by the Chinese government. We will continue expanding the network for provision of after-sales services, which is favourable in enhancing the integrated competitiveness of our core business.

With an increasingly stringent policy on environment being imposed by the government in China, development of the industries dealing with water pollution, air pollution and solid wastes have been expedited, encouraging the development of the overall environmental protection industry. In addition, escalating effort has been putting in maintaining clean water, dealing with air pollution, soil pollution and industrial solid wastes by the government in China for years, providing on-going favourable factors for the development of enterprises engaged in environmental related sector.

Future Plans and Strategies

The Group's chemical and environmental segment will continue to enhance R&D and market development. On top of strengthening our leading position in the market for standard tank containers, we will endeavour to expand applications of special tank containers. Through development of partnerships with customers on all fronts throughout the entire service cycle, upgrade of manufacturing capacity of production lines, informatisation, automatisation, quality optimisation and other initiatives, we will further consolidate our core competitiveness in the tank container business and maintain our leading position in the industry. While reinforcing 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 materialise intelligent logistics with the use of internet of things. Accelerating global expansion and further development of our brand influence will take place to increase our competitive strength and market share, and better value-added services will be provided to further boost our customers' satisfaction and loyalty.

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 area 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. Given our core capacity of equipment manufacturing as the foundation, our technological invention in environmental protection sector as the core competitive strength and our hazardous waste disposal business as the key development direction, the segment will build up its capacity in whole-industry-chain, expand towards resource utilisation through standardisation, facilitating innovative development of environmental protection business.

Research and development

The chemical and environmental segment endeavours to provide customers with new logistics solutions by successfully developing different categories of tank container, such as large volume 240°C heated tank container, PFA-lined titanium tetrachloride tank container and nitric acid tank container, as well as 98% concentrated sulfuric acid tank container for railway use. In the first half of 2020, delivery of TPED-compliant gas tank container and structural optimisation of BASF 45ft tank container took place. The segment has also introduced a new generation of Swapbody product, which is 300kg lighter than the previous design. Development of multi-series tank containers has been satisfying demands from diversified customers, maintaining our products' leading position in the industry.

The segment has stepped up its effort to develop intelligent tank container, and further upgraded the "Tankmiles", an IOT ("Internet of Things")-based information platform, providing our customers with more desirable experience in operation and management of tank container. In addition to successful research and development of glycol heating/cooling system, given that intelligent electric heating technology becomes increasingly mature, our products with intelligent temperature control have been well received by the market due to their reliability. By using remote control platform to monitor our tank containers, real-time information, such as temperature of goods and system operation status, can be retrieved, delivery of goods to destination in a safe and reliable manner can be guaranteed.

The segment has endeavoured to bring innovation into functions and structure of tank container. In the first half of 2020, we completed development of new model of whirling Praxair heating system, structure with 180-degree turn staircase and double-side handrail settings. For new technology and new materials, there was a successful development of technological design of thinner lid seal that reduced its weight by 10%, and a development breakthrough in eco-friendly insulation material, high-strength GRP material and low-VOC coating which allows a safer and more environmental-friendly production, embodying the Company's commitment to social responsibility.

The segment has been implementing "Dream 6 D" project, integrating product lifecycle management (PLM) and manufacturing execution system (MES) in an effort to strengthen establishment of enterprise informationisation and equipment automation, leading to improvement of efficiency and operation environment for staff members as well as remarkable performance of enterprise intelligence, and thus, our production capacity has been well maintained in a headmost position in the industry.

Liquid Food

Since most of the liquid food segments business involves on-site construction and suffered from the pandemic during the first half of 2020. Lockdown, quarantine regulations and travel bans affected our business and there were a large degree of delay in performing these on-site construction work. The segment's revenue declined by 32.2% to RMB1,021,611,000 (corresponding period in 2019: RMB1,507,136,000) for the period.

Prospects

Through the renowned brands of "Ziemann Holvrieka", "Briggs", "DME", "NSI" and "McMillan", 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. In the first half of 2020, the segment also acquired 100% equity interest in McMillan (Coppersmiths & Fabricators) Ltd., a manufacturer of copper distilling and brewing equipments in the UK, such move will effectively consolidate segment's liability in covering the whole value chain of the distilled liquor industry. We aim to become the largest supplier worldwide to the distilled liquor industry, 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 Strategies

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 projects.

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 distilled liquor processing, juice storage & transportation and dairy product processing.

Research and development

The liquid food segment continues to place great emphasis on research and development of key equipment product line for beer business, providing integrated food equipment solutions to domestic and international markets, such as research and development of carbon dioxide recycling system, wine and water separation system and hops drying system. The segment has been continuously conducting research on enhancement of automatic control and energy efficiency of beer equipment, actively carried out technological improvement, function optimisation and technological breakthrough in manufacturing of copper equipment for application in new production orders.

With the acquisition of DME business in 2019, it has provided concrete support for the development of premium brewing business in the segment since DME Group, as a leading designer and manufacturer of equipment for the craft brewing sector in North America, has an immense accumulation of technologies in various sectors including craft beer, distilling, fermentation and pharmaceutical industry.

The recent acquisition of McMillan (Coppersmiths & Fabricators) Ltd. in the first half of 2020 has further strengthened our ability in design and supply of copper and stainless steel distilling equipment, fully covering the entire industrial chain of distilling equipment. The segment will continue to conduct research and development of distilling system for different kinds of liquor, such as whisky, gin and rum, putting ourselves in a better position, to provide technological support to the markets in China, Europe, North America and Japan. With the upgrade and regeneration of equipment for production of Baijiu (Chinese liquor), our development achievement on technology and product for Baijiu production has allowed us to contribute to the development of Baijiu industry in China with our technological and equipment services.

In addition to development of equipment system for beer and distilled spirits, the segment has also endeavoured to explore new business scope by utilising existing technologies to expand to other liquid foods, such as fruit juice, beverage, milk, daily-use chemicals and biomedicine, in an effort to achieve sales growth through introduction of new products.

Supplementary Information

Directors' Interests in Shares

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	No. of shares held and Interests in underlying shares pursuant to share options and the restricted share award scheme	% of issued share capital *(Note)*
Gao Xiang	Beneficial owner	2,000,000	0.10%
Yang Xiaohu	Beneficial owner	1,800,000	0.09%
Yu Yuqun	Beneficial owner	1,000,000	0.05%
Wang Yu	Beneficial owner	400,000	0.02%
Zeng Han	Beneficial owner	650,000	0.03%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2020, which was 2,010,484,588.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006 (the "**Scheme**"). Details of which were set out under the section headed "Share Options" on pages 46 to 47.

Long positions in the shares/underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
China International Marine Containers (Group) Co., Ltd. ("**CIMC**") (A Shares)	Gao Xiang	Beneficial owner *(Note 1)*	450,000	0.02% *(Note 2)*
	Yu Yuqun	Beneficial owner *(Note 1)*	900,000	0.06% *(Note 2)*
	Wang Yu	Beneficial owner *(Note 1)*	300,000	0.02% *(Note 2)*
	Zeng Han	Beneficial owner *(Note 1)*	346,500	0.02% *(Note 2)*

Notes:

1. Mr. Gao Xiang, Mr. Yu Yuqun, Mr. Wang Yu and Mr. Zeng Han were granted stock options (A Shares) by CIMC, an associated corporation of the Company listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange on 28 September 2010, pursuant to a stock option incentive scheme adopted by CIMC. The stock options granted to any grantee are exercisable at an exercise price of RMB8.06 per share, and 75% of which are exercisable between 28 September 2014 and 27 September 2020.

2. CIMC approved bonus issue to shareholders on the basis of two (2) bonus share for every ten (10) existing shares, the bonus issue had been completed on 28 June 2019. The exercise price of share option (A Shares) had been adjusted to RMB8.06 per share.

3. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 30 June 2020, which was 1,526,182,872.

Save as disclosed above, as at 30 June 2020, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 30 June 2020, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2020, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Number of shares held	% of issued share capital *(Note 1)*
CIMC	Interest of controlled corporation	1,371,016,211 *(Note 2)*	68.20%
China International Marine Containers (Hong Kong) Limited ("**CIMC HK**")	Interest of controlled corporation	190,703,000 *(Note 3)*	9.49%
	Beneficial owner	1,180,313,211	58.71%
Charm Wise Limited ("**Charm Wise**")	Beneficial owner	190,703,000 *(Note 3)*	9.49%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2020, which was 2,010,484,588.

2. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise and 1,180,313,211ordinary shares held by CIMC HK. Charm Wise and CIMC HK are wholly- owned subsidiaries of CIMC.

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

Save as disclosed above, as at 30 June 2020, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company adopted the Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group. Details of the terms thereof are set out in the Annual Report 2019.

As at 30 June 2020, share options were granted and accepted by the respective participants under the Scheme to subscribe for a total of 76,620,000 ordinary shares of HK$0.01 each in the capital of the Company. During the six months ended 30 June 2020, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2020	granted during the period	exercised during the period	lapsed during the period	transferred to/from other category	outstanding at 30 June 2020
Directors								
Gao Xiang	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	–	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	28/10/2011	28/10/2013–27/10/2021	200,000	–	–	–	–	200,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yu Yuqun	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			3,300,000	–	–	–	–	3,300,000
Employees	28/10/2011	28/10/2013–27/10/2021	14,002,000	–	(8,000)	–	–	13,994,000
	05/06/2014	05/06/2016–04/06/2024	26,770,000	–	–	(100,000)	–	26,670,000
Other participants	28/10/2011	28/10/2013–27/10/2021	1,654,000	–	(44,000)	–	–	1,610,000
	05/06/2014	05/06/2016–04/06/2024	4,730,000	–	–	(240,000)	–	4,490,000
Total			50,456,000	–	(52,000)	(340,000)	–	50,064,000

Notes:

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

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

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

   Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2020 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2020 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per share.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2020 was approximately HKD4.68 per share.

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

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

As at the date of this report, a total of 193,660,608 number of options, representing 9.63% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total of 243,724,608 shares, representing 12.12% of the issued ordinary share capital of the Company, are available for issue under the Scheme and the New Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2020.

Restricted Share Award Scheme (2018)

The Company adopted Restricted Share Award Scheme (2018) (the "**Award Scheme 2018**") on 26 June 2018, the major terms and details set out as below:

	Restricted Share Award Scheme (2018)
Purpose:	The purposes of the Award Scheme 2018 are to retain its key personnel of the Group, to motivate and incentivise the senior management and key personnel and to further and share the growth of business of the Group.
Term:	It shall be effective and continue in full force for four years commencing from the adoption date of Award Scheme 2018.
Number of Shares:	Maximum number of 50,000,000 Restricted Shares
Operation:	Trustee shall hold the Restricted Shares and the Related Distribution for the Selected Participants on trust according to the terms of the trust deed. The Restricted Shares and the Related Distribution shall be transferred to the selected participants when the relevant vesting conditions have been satisfied.
Restriction:	Unless the Restricted Shares have been vested to the selected participant, every selected participant shall only have a contingent interest in the Restricted Shares awarded to them, subject to the fulfilment of vesting conditions of the Award Scheme 2018. Before vesting of the Restricted Shares and the Related Distribution, the Selected Participants have no rights to transfer any of his/her rights under the Award Scheme 2018.
Vesting:	Vesting of the Restricted Shares are conditional on the net profit of the Company and individual assessments of the selected participants on each of the vesting period.
Voting Rights:	The trustee shall not exercise the voting rights in respect of any Restricted Shares held on trust by the trustee for the selected participants before vesting.

At the extraordinary general meeting of the Company held on 10 August 2018, an ordinary resolution was passed in relation to approve the grant of specific mandate to the Directors regarding the issue and allotment of an aggregate of maximum number of 50,000,000 Restricted Shares to the trustee to hold on trust for selected participants in the Award Scheme 2018, and the grant of Restricted Shares to the Directors and other connected selected participants. As at the date of 24 August 2018, all conditions precedent under the Award Scheme 2018 have been fulfilled. A total of 46,212,500 Restricted Shares have been allotted to and accepted by the selected participants.

The details of the Award Scheme 2018 disclosed in the announcements of the Company dated 26 June 2018, 10 August 2018 and 24 August 2020 respectively and the circular of the Company dated 25 July 2018.

There were a total of 3,400,000 Restricted Shares allotted to the Directors during the year of 2018. As the vesting conditions of the second vesting period have been fulfilled, a total of 1,020,000 Restricted Shares have been vested to the Directors of the Company during the period. There were accumulatively a total of 2,040,000 Restricted Shares vested to the Director as at 30 June 2020, details of which are as follows:

		Number of Restricted Shares				
Name of Directors	Date of grant	As at 1 January 2020	granted during period	Vested during period	As at 30 June 2020	Vesting Period
Gao Xiang	24 August 2018	700,000	–	300,000	400,000	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	840,000	–	360,000	480,000	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Total		2,380,000	–	1,020,000	1,360,000	

Share Award Scheme 2020

The Company adopted Share Award Scheme 2020 (the "**Award Scheme 2020**") on 3 April 2020, the major terms and details set out as below:

	Share Award Scheme 2020
Purpose:	The purposes of the Award Scheme 2020 are (a) to provide eligible participants with an opportunity to own Shares in the Company thereby aligning the interests of the eligible participants with that of the Shareholders; (b) to incentivise eligible participants to benefit from value enhancement through delivery of performance targets; and (c) to encourage and retain Eligible Participants to make contributions to the long-term and sustainable growth of the Group. The Award Scheme 2020 forms part of the overall incentive plan for the employees of the Group. The Shares to be granted to Participants under the Award Scheme 2020 shall be in lieu of part of the cash bonus awarded under the overall incentive plan.

Term:	subject to any early termination of the Award Scheme 2020 in accordance with the Award Scheme 2020 Rules, the Award Scheme 2020 shall be valid and effective for a period of 10 years commencing from the adoption day of Award Scheme 2020.
Number of shares:	The total number of Shares which may be purchased or issued pursuant to the Award Scheme 2020 shall not in aggregate exceed 2% of the Company's total number of issued Shares as at the adoption day of Award Scheme 2020 (i.e. maximum 40,209,691 Shares).
Maximum number of shares that can be granted to eligible participants:	The maximum number of Shares which may be granted to a participant at any one time or in aggregate under the Award Scheme 2020 must not exceed 0.5% of the Company's total number of issued Shares as at the adoption date of Award Scheme 2020 (i.e. maximum 10,052,422 Shares).
Operation:	The trustee shall hold such Shares in accordance with the terms of the terms of the trust deed and shall transfer such Shares to the relevant participants after all the relevant vesting conditions are fulfilled.
Restrictions:	No grant and no issue and allotment of Shares shall be made by the Company, no payment shall be made and no instruction shall be given by the Company to the trustee to purchase Shares under the Award Scheme 2020 where any Director is in possession of Inside Information (as defined in the SFO) in relation to the Company or where dealings in the Shares are prohibited under all applicable laws, rules and regulations including without limitation the Listing Rules and/or the SFO. The transfer of vested Shares by the trustee to the relevant participants is not prohibited during such periods.
Vesting:	The vesting of the grant shares is always subject to the participant remaining as an eligible participant after the date of the grant and on the vesting date. Any Share held by the trustee on behalf of a participant pursuant to the Award Scheme 2020 rules shall vest in such participant in accordance with the vesting condition(s) or vesting schedule as determined by the Board from time to time under the Award Scheme 2020 rules.
Voting rights:	Trustee shall not exercise any voting rights in respect of any Shares held under the trust. No instruction as to voting may be given by any participant to the trustee in respect of the grant Shares prior to the vesting of such grant shares in the participant.

During the period, no Share was granted under Award Scheme 2020.

The details of the Award Scheme 2020 disclosed in the announcement of the Company dated 3 April 2020.

Litigation

CIMC Enric Investment Holdings (Shenzhen) Limited (中集安瑞科投資控股深圳有限公司) ("**Enric Shenzhen**"), an indirect wholly-owned subsidiary of the Company, received certain litigation papers served by the Jiangsu Province High People's Court (江蘇省高級人民法院), where SOEG PTE LTD ("**SOEG**") as plaintiff claimed that Enric Shenzhen should (1) pay for the remaining balance of the equity transfer of RMB153,456,000; (2) bear the attorney fee loss of RMB50,000; and (3) bear the costs of the litigation.

江蘇省高級人民法院 (Jiangsu Province High People's Court) decided to transfer the Litigation to 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court) in April 2019. 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court) rendered the Judgment of first instance in June 2020, and the content of issued Civil Judgment (2019) Su 06 Min Chu 464 was (1) dismissed the claims made by SOEG; (2) SOEG should bear the costs of the Litigation of RMB809,330; and (3) to dispute the Judgment, SOEG may within 30 days after the Judgment being served, and Enric Shenzhen may within 15 days after the Judgment being served, file an appeal with 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court). The appeal (if any) will take place at 江蘇省高級人民法院 (Jiangsu Province High People's Court) and the appellant shall make advance payment of court hearing charges at 江蘇省高級人民法院 (Jiangsu Province High People's Court).

SOEG disputed the Judgment of first instance and appealed to 江蘇省高級人民法院 (Jiangsu Province High People's Court). Enric Shenzhen recently received an appeal of SOEG delivered from 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court), where SOEG claims that (1) revocation of the Civil Judgment (2019) Su 06 Min Chu 464; (2)Enric Shenzhen should pay for the remaining balance of the equity transfer of RMB153,456,000; and (3) Enric Shenzhen should bear the costs of the first instance and second instance of the Litigation. The case will be transferred to 江蘇省高級人民法院 (Jiangsu Province High People's Court) for second instance. The time for second instance has not yet been determined.

The details of the litigation are disclosed in the announcements of the Company dated 31 January 2019, 15 June 2020 and 12 August 2020 respectively.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the six months ended 30 June 2020.

Corporate Governance

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

The latest corporate governance report of the Company is set out in the Annual Report 2019.

Audit Committee and Other Board Committees

The Audit Committee comprises four Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the Group's financial reporting procedures, risk management and internal control systems. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2020.

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

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

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, the trustee of Scheme purchased on the Stock Exchange a total of 5,774,000 shares for a total consideration of approximately HKD20,675,000 (equivalent to approximately RMB18,821,000) pursuant to the terms of the trust deed under the 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 2020.

Directors

As at the date of this report, the Board consists of Mr. Gao Xiang (Chairman), Mr. Yang Xiaohu (General Manager) as Executive Directors; Mr. Yu Yuqun, Mr. Wang Yu, 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
Gao Xiang
Chairman

Hong Kong, 20 August 2020

CIMC ENRIC

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

Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong
香港中環紅棉路8號東昌大廈9樓908室

Tel 電話：(852) 2528 9386 Fax 傳真：(852) 2865 9877
Email 電郵：ir@enric.com.hk Website 網址：www.enricgroup.com
IR Portal 投資者關係連結：www.irasia.com/listco/hk/enric

Headquarters in the PRC 中國總部
CIMC R&D Center, No. 2 Gangwan Avenue, Shekou Industrial Zone
Shenzhen, Guangdong, The PRC
中國廣東省深圳蛇口工業區港灣大道2號中集集團研發中心