

# CIMC ENRIC

中集安瑞科控股有限公司 (3899.HK)

## 2020 Interim Results 半年业绩

English Version



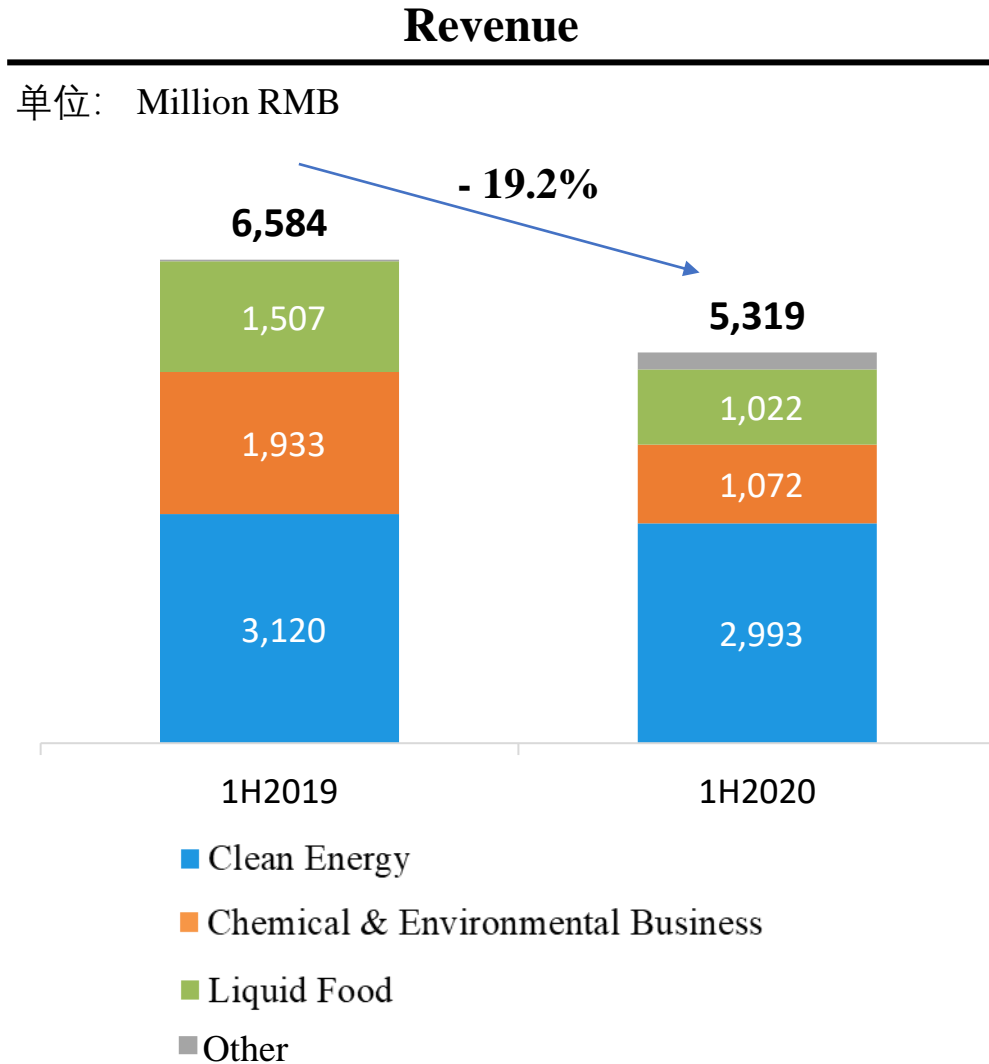
2020.08.21

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2. **Business Highlights**
3. **Industrial Outlook**

## Revenue Plunged Due to COVID-19 but Clean Energy Segment has been Improving

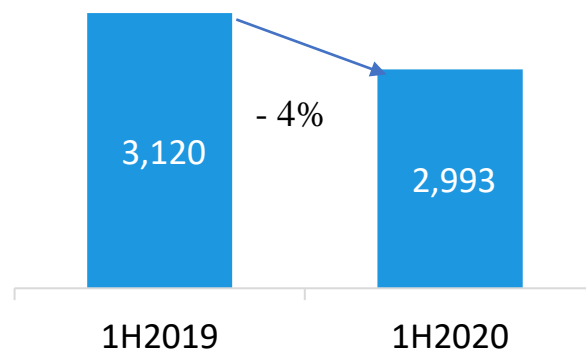


- With the outbreak of COVID-19, most of the subsidiaries of the clean energy segment suspended production for approximately 1.5 months. But its revenue fell by only 4% and improvement began in the second quarter.
- Group's onsite EPC work (especially projects in overseas) was delayed to various extents.
- Lower demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases resulting from quarantine and lockdown measures.

## Performance and Outlook of the Clean Energy Segment

### Revenue

Unit: RMB Million



**Storage:** LNG prices hit record lows, strong demand for industrial coal-to-gas, driving demand for storage tanks. Growth on large-scale peak-shaving facilities was significant, but the effect will be delayed for six months to a year due to Covid-19.

**Transportation:** Benefiting from low prices, LNG trade was active as were sales of LNG transportation equipment. Construction of small and medium-sized LNG vessels is on schedule, but no delivery of a whole vessel in 1H2020.

**Application:** Benefiting from low-priced LNG and the conversion to China VI Emission Standards, sales of LNG HTD has been good and drives the demand of on-vehicle fuel tank as well as refilling station. The IMO sulfur restrictions and the gasification of Yangtze River policy facilitated the oil-to-gas conversion of domestic and overseas vessels and stimulated the sales of on-board LNG tanks and desulfurization devices.

**Champion Products:** LNG storage tanks, LNG on-vehicle cylinders, LNG trailers, LNG marine tanks, LNG tank containers, LNG refilling stations, industrial gas storage tanks, liquefied gas trailers and other products had significant market share increase in 1H2020.

**Short-term outlook:** Benefiting from domestic epidemic control and strong natural gas demand, this segment has greater growth opportunities in 2H2020. Key drivers are:

**Storage:** Revenue from large-scale peak-shaving projects and the second phase from the ENN Zhoushan terminal to be recognized in 2H2020.

**Transportation:** New orders of LNG tank containers is expected. Revenue from small and medium-sized liquefied gas carriers to be recognized in 2H2020. Demand for LNG trailers is expected to be driven by more LNG import.

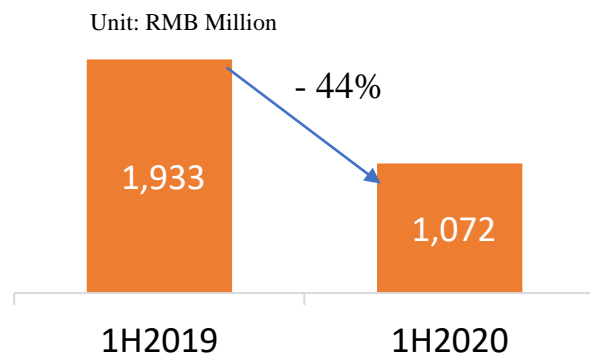
**Application:** Demand for LNG HTD continues to grow and drives sales of LNG cylinders. More oil-to-gas in marine and river segment drive sales of LNG fuel tanks for ships.

### **Long-term outlook:**

We believe the growth of the clean energy segment in the long run is directly linked to China's increase of natural gas consumption and the higher penetration rate of natural gas among primary energy recourses. Other clean energy business, such as hydrogen energy and unconventional gas will bring growth. We have great confidence in the obvious growth trend of this segment.

## Performance and Outlook of the Chemical & Environmental Segment

### Revenue



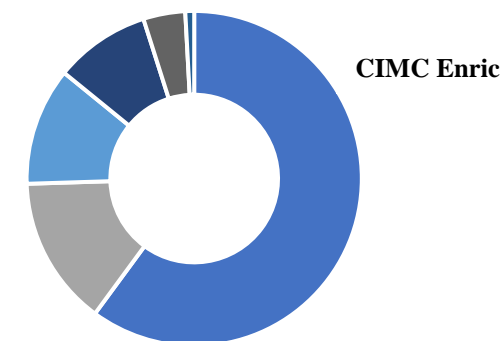
- Global trade decline and sales of tank containers decreased.
- Gross profit margin slightly increased due to change in product and service mix.
- Environmental equipment business development halted in 1H2020 due to COVID-19 outbreak and slow down the progress of on-going projects.

**Star Products:** Despite sluggish sales of tank markets in 1H2020, largest market share in the world and leading industry position maintained.

### Short-term outlook:

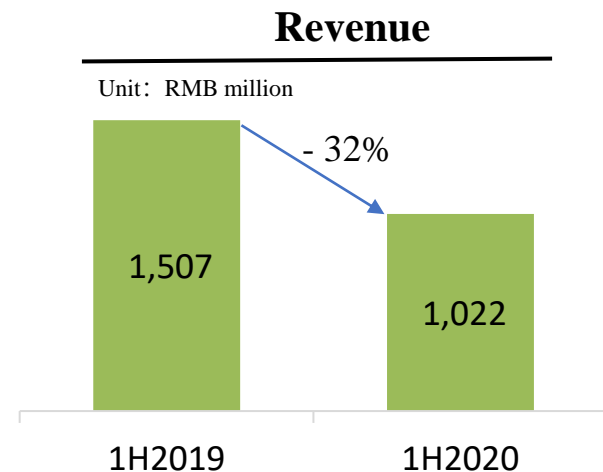
- Following resumption of work and production, order has been slightly improving since June. Gross profit margin improved slightly starting from Q2.
- Orders for special tank containers and gas tank containers increased against market decline, which could be a driver in second half.
- The crucial turning point depends on the pandemic control. If economic activities resumes, the export of chemical tank containers is expected to rebound soon.
- Environmental business is expected to make greater sales contribution in the next two years.

### Chemical tank container market competition landscape in 1H2020



**Long-term outlook:** We believe the demand for chemical tank container is closely related to the global development of fine chemicals and is approximately twice the growth rate of global GDP. In addition, the exploration of environmental equipment business will also provide growth driver.

## Performance and Outlook of the Liquid Food Segment



- Revenue declined by a few hundred millions RMB due to suspension or delay of some projects under the pandemic, including:
  - Project C in the U.S. will be delayed to 2021;
  - On-site operation of Project O in Mexico had been locked down for 3 months;
  - Project B in the PRC was delayed due to a lack of spare parts from a European supplier.
- As Project Constellation nears completion, its revenue contribution was less than the same period of last year.

**Short term outlook:** The segment expect more revenue recognized in second half:

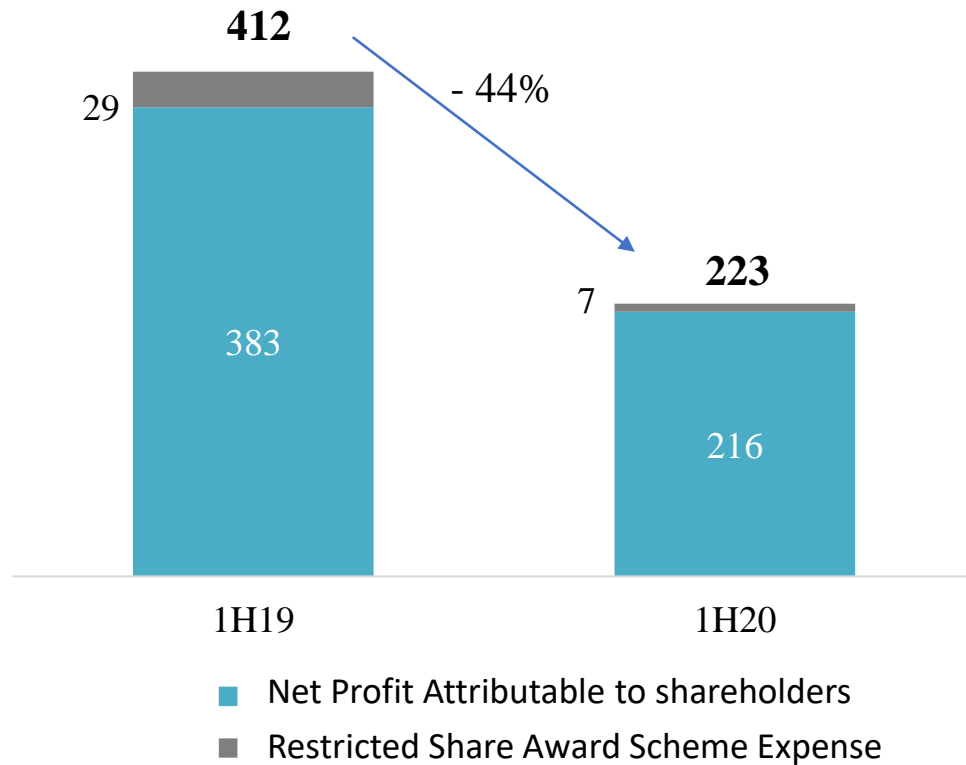
- Rebound of F&B industry amid economic recovery would be a key turning point;
- The acquisition of McMillan was completed on 3 April and has been undergoing a business integration with Briggs, aiming to build up turnkey capability in the distilled spirits industry;
- Actively expanding non-beer business, such as Chinese baijiu and premium craft beer.

**Long-term outlook:** We believe growth in the liquid food segment is aligned with growth in population, increase in health consciousness and consumption upgrade. We expect a high single digit growth p.a. of this segment.

# Net Profit Achieved despite a Challenging Market

## Net Profit Attributable to Shareholders

Unit: Million RMB

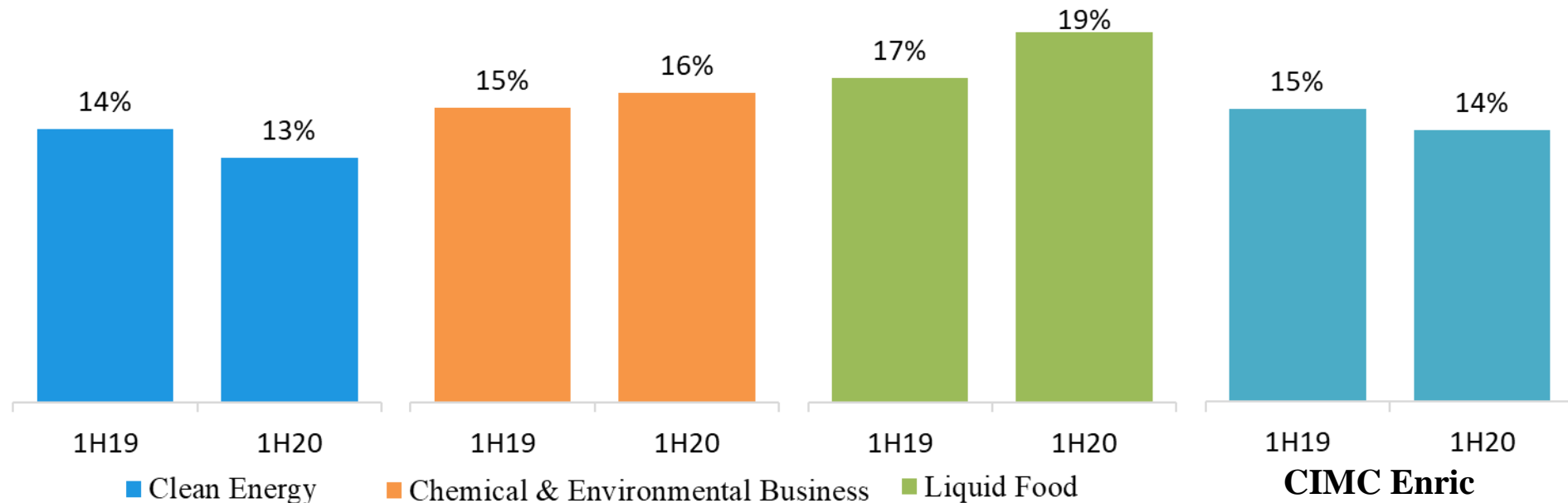


- Restricted share reward scheme requires the company to achieve 43% CAGR growth on net profit of 2017 over three years
- The company no longer takes the third-year targeted net profit required by share award scheme as the key performance indicator for 2020.

## Gross Margin affected by COVID-19

- The clean energy segment's gross profit margin fell for the first half 2020, which is mainly because the factories experienced different degrees of production suspension, the production capacity was reduced by 1.5 months in average compared with same period of last year and adversely affected clean energy segment's economies of scale and hence its GP margin performance.
- In addition, there was no liquified gas carrier delivered during the period, and the gross profit recognised per milestone accounting method is relatively conservative.

### Gross Profit Margin

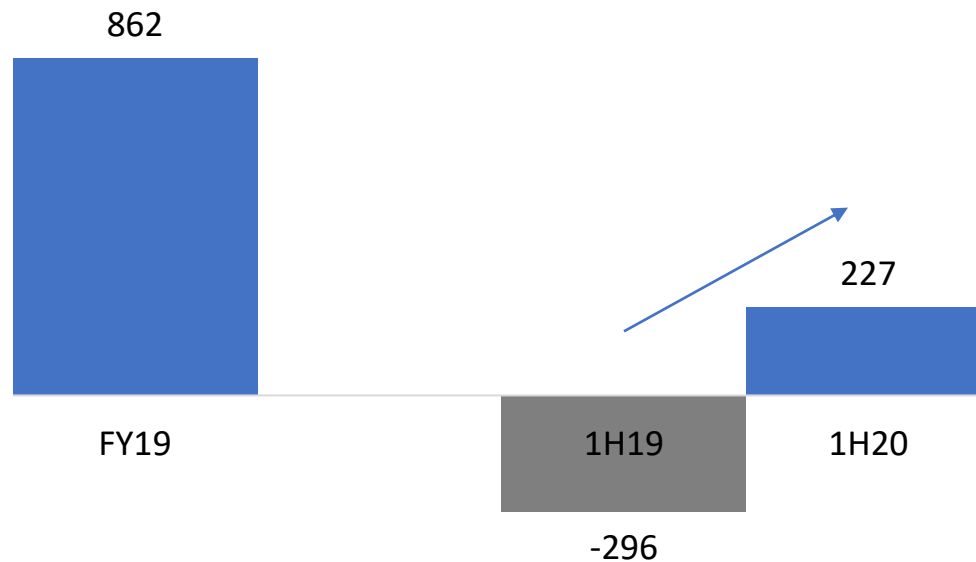




## Strengthen Payment Control and Positive Operating Cash Flow

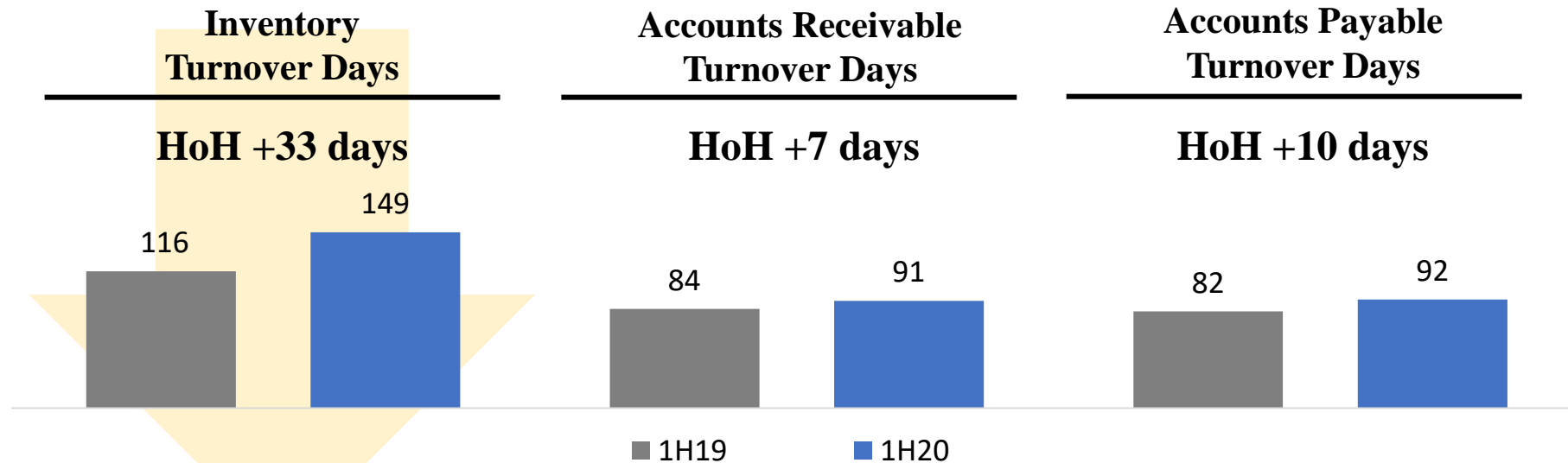
### Operating Cash Flow

Unit: Million RMB



- Reduce unnecessary capital expenditures and operating expenses.
- We believe that by constantly improving customer credit management system, and various operating cash flow control measures such as bank guarantees, and seeking mutual support from business partners, operating cash flows can maintain a healthy net inflow for the long run in line with growing business scale.

## Operational Indicators

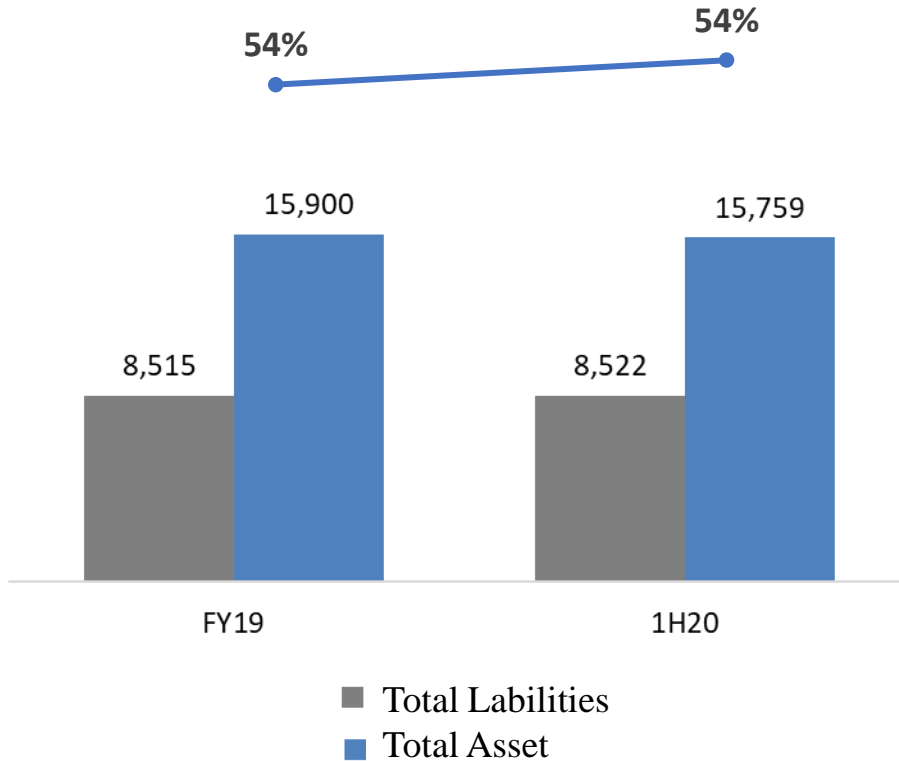


- We have prepared materials for some EPC projects, and some engineering projects are under construction progress, due to the impact of COVID-19, the on-site projects cannot be carried out, resulting in an increase in inventory at the end of June. With the resumption of work in the second half of the year, it will be gradually digested.
- We've made use of "Inventory Evaluation Template" monthly to analyse and improve the inventory management of subsidiaries one by one.

# Stable and Healthy Balance Sheet Structure

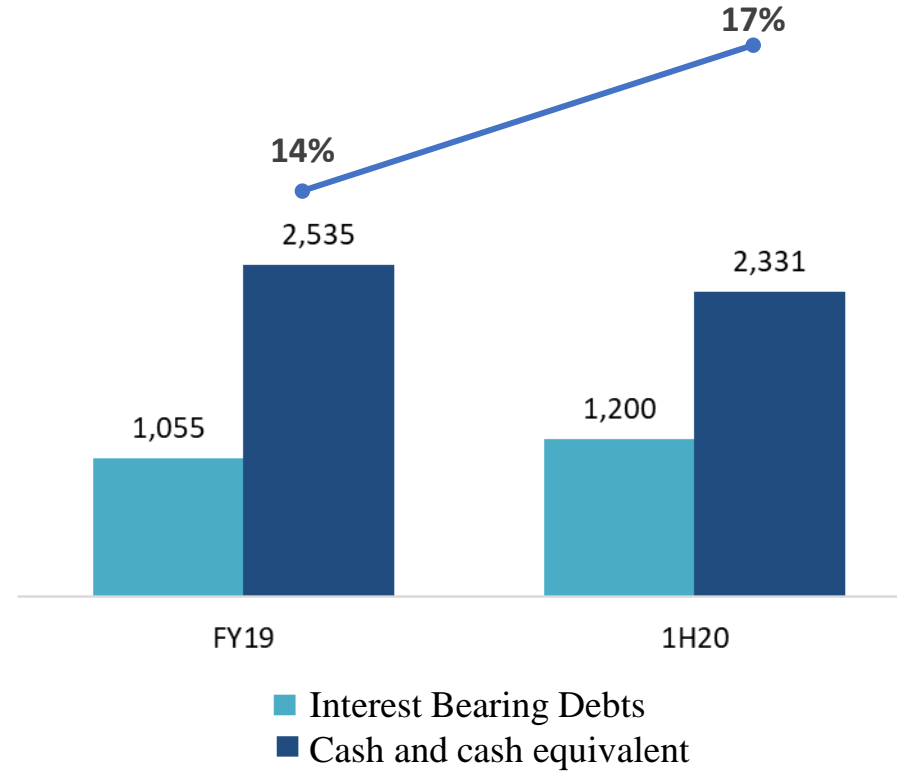
## Debt-to-Asset Ratio

Unit: Million RMB



## Gearing Ratio

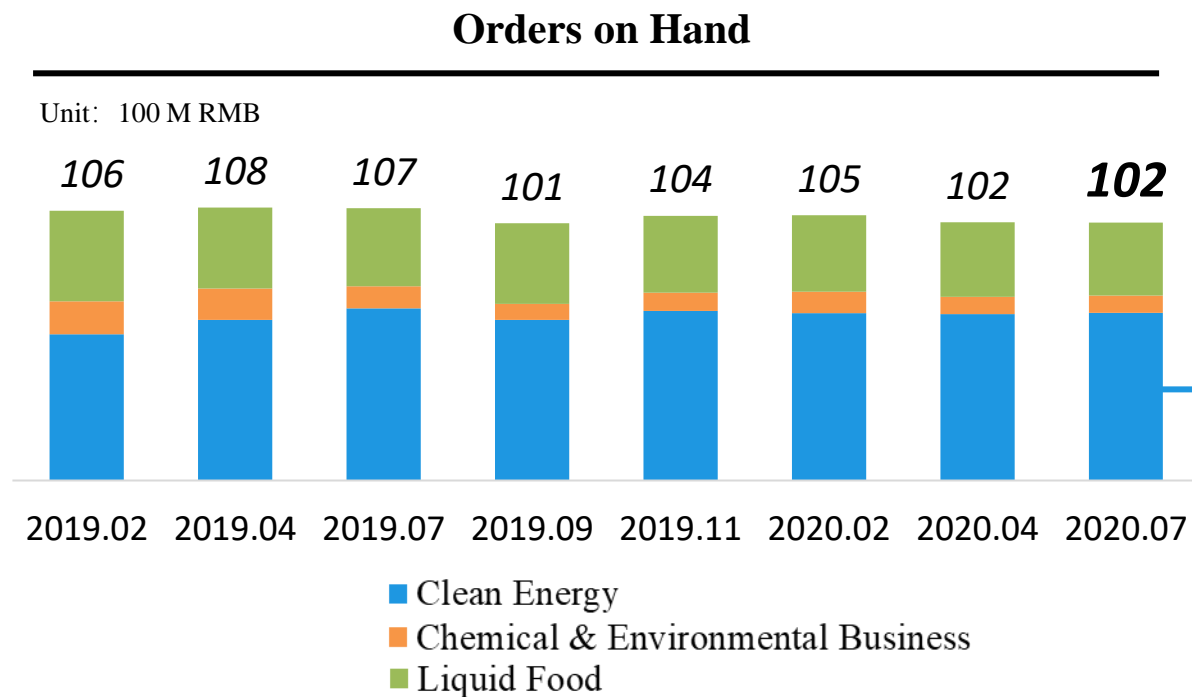
Unit: Million RMB



Net cash balance of  
1.13 billion RMB

Unutilised banking facilities  
9.3 billion RMB by the end of July

## Orders on Hand is Sufficient



Category of Clean Energy	Order on hand by the end of July ( in 10,000 RMB)		
	2020	2019	Difference
Storage	143,429	124,591	15%
Transportation	107,787	77,407	<b>39%</b>
Downstream Application	62,838	61,849	2%
Processing	18,299	21,220	-14%
Others	157,731	157,758	0%
<b>Clean Energy Total</b>	<b>490,084</b>	<b>442,825</b>	<b>11%</b>

- By the end of July 2020, CIMC Enric's orders in hand reached RMB10.2 billion, basically flat period-on-period.
- The total number of newly signed orders of the Clean Energy Segment since the beginning of 2020 is RMB 4.9 billion (excluding orders of liquified gas carriers), representing an period-on-period increase of 11%.

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## Industry Leadership in Key Equipment Manufacturing

- ✓ We are the national leader in peak-shaving facility and storage tank market.
- ✓ We take the lead in drafting national standards for LNG tank containers and have the largest market share in the world.
- ✓ We are the first in China to start R&D in marine ‘oil to gas’ equipment and have maintained industry leadership for 4 consecutive years for offshore LNG marine equipment.
- ✓ National leader in LNG on-vehicle cylinders, large size cylinder has been put into mass production.
- ✓ Global leader in small-mid-sized liquified gas carriers (<40,000m<sup>3</sup>, LNG/LPG/LEG) market.
- ✓ National leader in LPG storage and transportation equipment market for many years.
- ✓ We have an absolute leading edge in the field of high-pressure storage and transportation equipment sector. Two of every three large-volume high-pressure seamless cylinders are manufactured by us.
- ✓ Global leader in chemical tank container with the highest out for over 16 consecutive years with more than 270,000 tank containers to the market since 2001.
- ✓ Our brand Ziemann Holvrieka is one of the top three world leading equipment manufacturer and provider of related project-engineering services in the beverage and liquid food industries.
- ✓ Through the acquisition of Scottish brand McMillan, we have taken the lead in completing the entire industry chain coverage of the spirits equipment and engineering market.



## Provide Systematic Solutions to Cater Customer Needs

- **LPG micro grid and smart trailer**

Cooperate with leading city gas companies to build township gas storage stations and pipeline networks, by using LPG trailer to realize distributed gas supply for hundreds of households. This system solution can help supply gas to township residents conveniently at low cost.



- **Development of electronic gas storage equipment**

With the rapid development of the domestic electronics, chips and other industries, the demand for electronic gas storage and transportation equipment also grows. We keep up with industry trends, continuously invests in the field of high-pressure storage and transportation equipment, and actively develops electronic gas storage equipment using its technological advantages in the CNG high-pressure industry over the years. In 2020, in accordance with the market and customer needs, the launch of high-pressure manifolds for electronic gases such as hydrogen chloride has been highly recognized by customers. In addition, our industrial and special gas series storage and transportation equipment are widely used in military, aerospace, offshore, industrial and special gas storage and transportation fields.

- **Intelligent liquid oxygen storage tanks help the anti-epidemic front line**

When we actively implemented prevention and control measures for resumption of work and production, we also fulfilled our social responsibilities by serving Wuhan Jinyintan Hospital, Vulcan Mountain Hospital, Wuhan Central Hospital, and Huanggang Central Hospital and other frontline hospitals across Hubei with in total 31 liquid oxygen storage tanks. Each liquid oxygen storage tank was equipped with Anjiehui intelligent equipment, allowing users to monitor the real-time status of the liquid oxygen level and pressure in the tank, so that medical resources can be configured more effectively and timely.





## Drive Quality Growth through Innovated Products

- **The world's first batch of 45-foot LNG tank container delivered**

We have done the exclusive R&D of a large-volume 45-foot LNG intermodal tank container during first half of the year, which optimizes the product operating system, and enhances stability. The new design of LNG tank container is suitable for hoisting facilities and transportation equipment of various terminals at home and abroad, thereby reducing customers' operating costs and improving turnover efficiency.

- **Significant progress made with hydrogen energy storage equipment and application**

- To meet the new requirements of national supervision, we've completed the development of 50MPa steel hydrogen storage container and three specifications of 110L, 140L and 165L hydrogen cylinders.
- The 30MPa tube bundle container with the highest hydrogen transport pressure in China has been successfully developed after passing various tests.
- Completed the development and application of the insulation system, support structure, and safety design for liquified hydrogen container.
- Completed the design of the supporting structure of the liquified hydrogen tank and made significant progress in the product insulation design.

- **Contracted China's first "oil-gas-electric" hybrid power ship**

As an EPC contractor, we participated in the project of the first domestic oil-gas-electric hybrid inland vessel "New Yangtze River 26007". The ship uses LNG as the main fuel, and can also achieve seamless switching between diesel and electricity. Compared with traditional ships, it can reduce fuel consumption by 10% and reduce cost by 25%-30% on yearly basis. The projects fully reflects CIMC Enric's most advanced technology for converting oil to gas for domestic inland vessels.

- **ANJIEHUI intelligent device drives smart upgrade of global clean energy logistics**

Cumulative sales volume exceeded **17,960** units, and customer platform visits exceeded **640,000** person times.



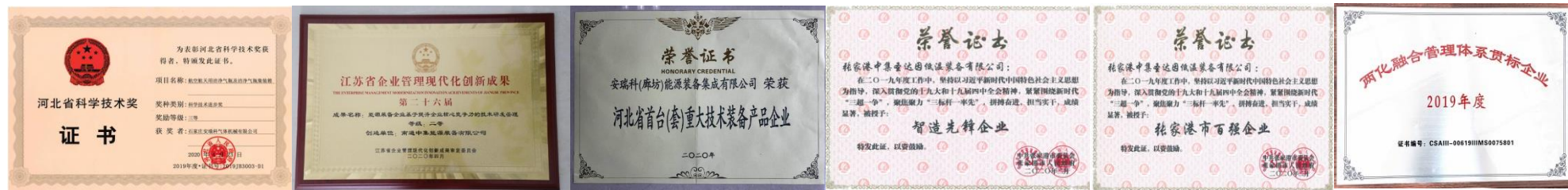


# Technological Innovation Contributes to Our Achievement



- We have always been focusing on R&D and innovation. We've spent **more than RMB130 million on R&D** (1H2019: around RMB125 million) during first half 2020, which is around **2.4% of total revenue** (1H2019: 1.9%).
- By the end of first half of 2020, we have hold exclusive rights to over **900** patents, including **117** invention patents and **19** patents franchised by foreign parties. The proportion of invention patent applications has increased year by year, which fully reflects company's commitment to technological innovation.
- We have **11** domestic subsidiaries certified as **high-and-new technology enterprise**.
- we've promoted the **"Golden Seed" innovation mechanism**. In the first year of trial operation, a total of **144** project proposals have been collected, and **8** have passed the project review.

## Awards & Honors Received during the First Half of the Year



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## Marcro

- Before vaccine is available, prevention & control continues to be a new normal, adding burden to the economic recovery.
- Global economy is expected to decline by 3-6% in 2020, following a U-shaped recovery trajectory.
- China's GDP in Q2 increased by 3.2% YoY which was better than expected.
- China is gradually increasing capital investment to stimulate the economy.

## Clean Energy

- Affected by the pandemic, China's natural gas market has been affected to varying degrees in supply, consumption and imports.
- China's natural gas consumption remains strong and the growth rate has stabilized.
- During first half, domestic LNG has obvious price advantages compared with major alternative energy sources. In the short term, LNG prices will remain low and will gradually return to a rational range in the future.
- Benefiting from cheap price, China's LNG consumption increased sharply in the first half, mainly from transportation fuel and industrial consumption.
- The total supply of natural gas in the first half was 95.2 billion cubic meters, a YoY increase of 10%. Unconventional gas production remained stable.
- Imports ratio of natural gas continue to climb up to over 60%.

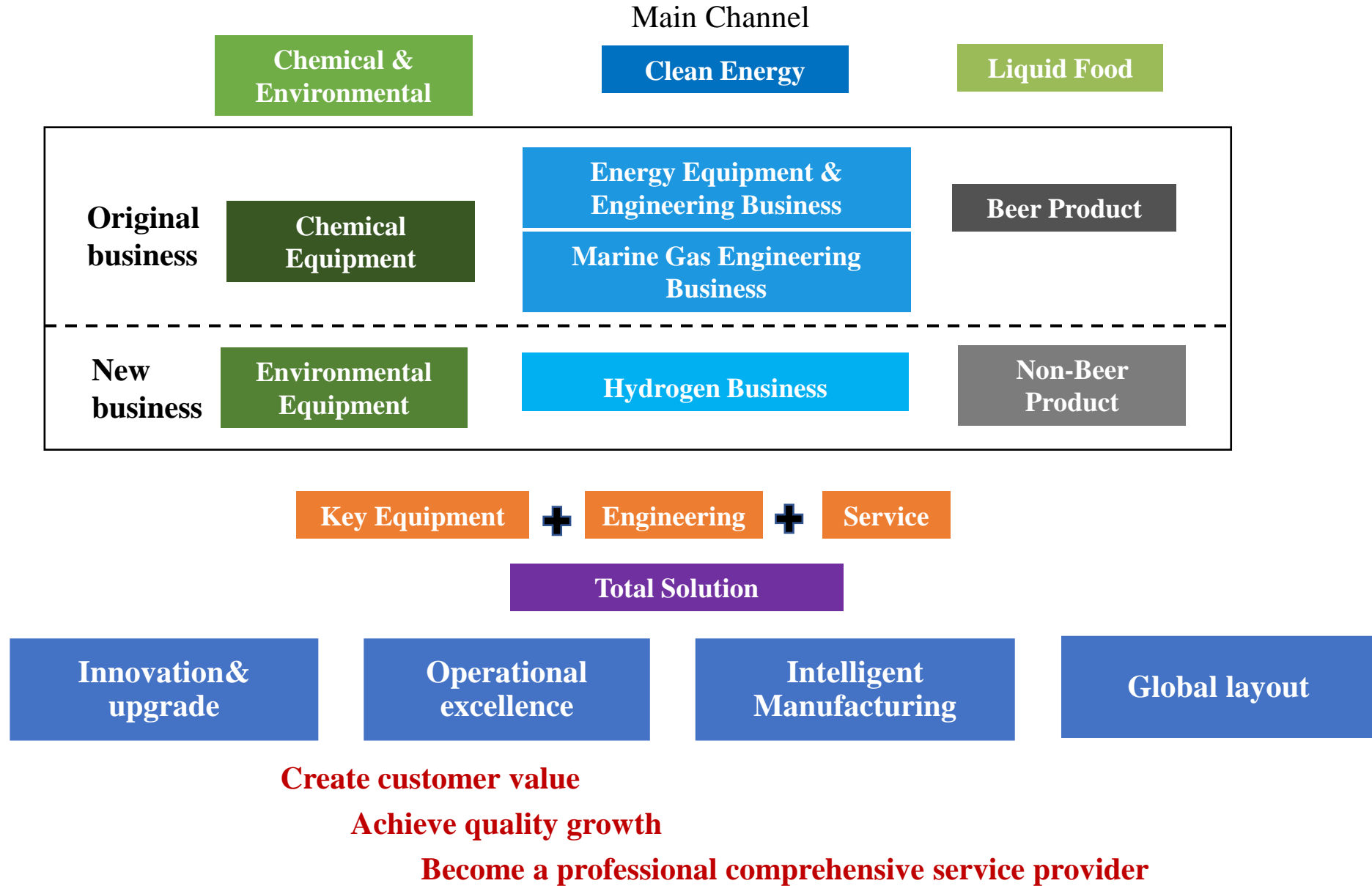
## Chemical & Environmental Business

- From 2017 to 1H2019, global tank container market remained active and recorded good sales. In 2H2019, market began to shrink, putting pressure on 2020.
- Starting from Q2 2020, global shipping was seriously impacted by COVID-19. As a logistics tool, the demand for chemical tank containers dropped significantly.
- Railway transfers in China continues, and it is expected that the railway market will bring new growth in the future.

## Liquid Food

- Except China, beer consumption in the top 5 markets worldwide is seriously affected by the COVID-19 (US, Brazil, UK and Mexico).
- Lockdown, quarantine regulations and travel bans affected liquid food industry.
- Order is slowing down, pandemic in US and South America and other region continues, investment in large scale industrial breweries suffers.

# Strategic Plan of Three Major Segments








# Clean Energy

## 清洁能源

# We Cover Whole Clean Energy Industry Chain With A Focus on Natural Gas

- The consumption and application of natural gas continue to develop, benefiting different links in the entire industry chain.
- CIMC Enric's business covers upstream, midstream and downstream of clean energy industrial chain.
- With comprehensive product portfolio, we can benefit from the trend of clean energy transition.

## Offshore clean energy industry chain

Upstream: Process & Treatment	Midstream: Transportation & Storage	Downstream: Application
 <ul style="list-style-type: none"> <li>▲ Offshore oil and gas processing module</li> </ul>	 <ul style="list-style-type: none"> <li>▲ Small-to-medium sized liquefied gas carrier</li> </ul>	 <ul style="list-style-type: none"> <li>▲ LNG bunkering vessel</li> <li>▲ Marine LNG Fuel Tank / Desulfurization Unit</li> </ul>

## Onshore clean energy industry chain

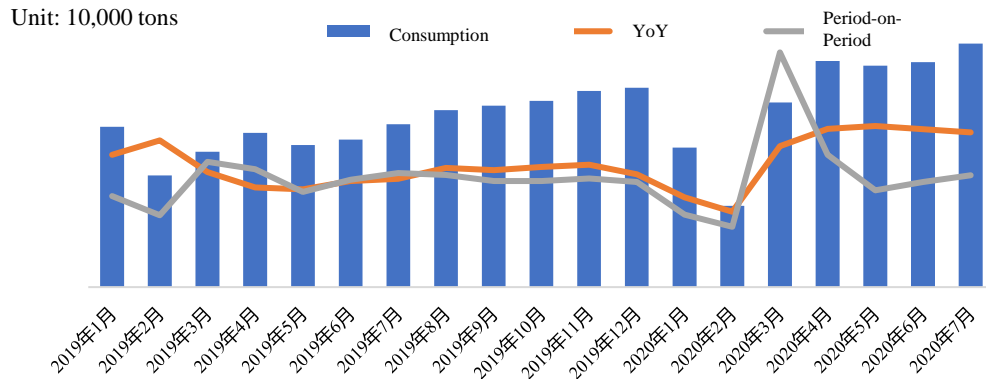
Upstream: Process & Treatment	Midstream: Transportation & Storage	Downstream: Application
 <ul style="list-style-type: none"> <li>▲ LNG receiving terminal EPC</li> <li>▲ Unconventional gas treatment and processing</li> </ul>	 <ul style="list-style-type: none"> <li>▲ Clean energy transportation equipment</li> <li>▲ LNG peak-shaving storage equipment &amp; engineering</li> <li>▲ Other clean energy storage equipment &amp; engineering</li> </ul>	 <ul style="list-style-type: none"> <li>▲ Clean energy equipment for transport fuel usage</li> <li>▲ Industrial and commercial LNG fuel equipment</li> </ul>



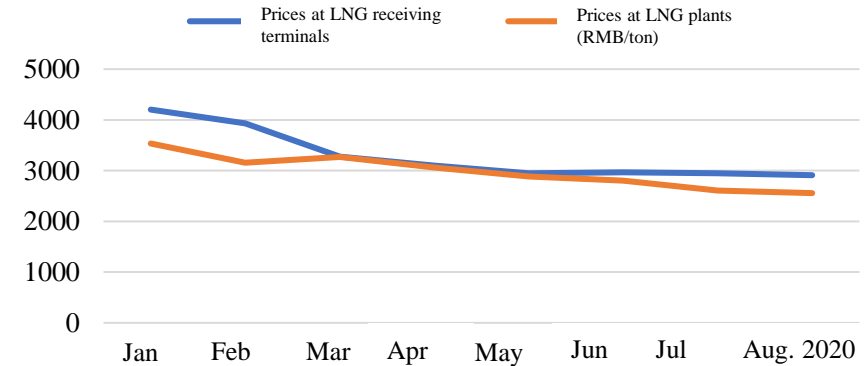
# Natural Gas Industry is Recovering with Highlight in Fuel Consumption Sector

- Natural gas consumption in China is gradually recovering and we believe the development of Chinese natural gas industry will become healthier and sustainable in longer term.
- With sufficient global supply, LNG prices will remain low in the short term, and will gradually return to a rational range in the future, which has a clear price advantage compared to other alternative energy sources.
- To ensure national energy independence, the amount of domestic gas produced continues to rise, and the unconventional gas market sees opportunities.

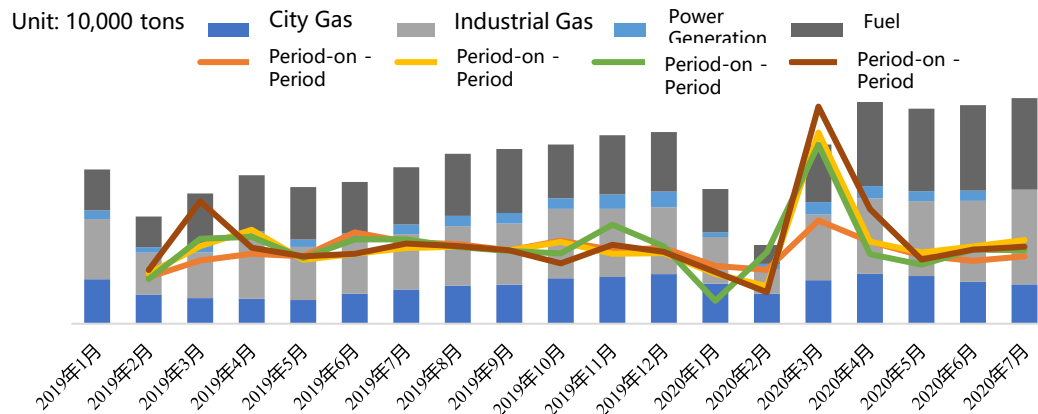
### China's Natural Gas Consumption and Growth Rate



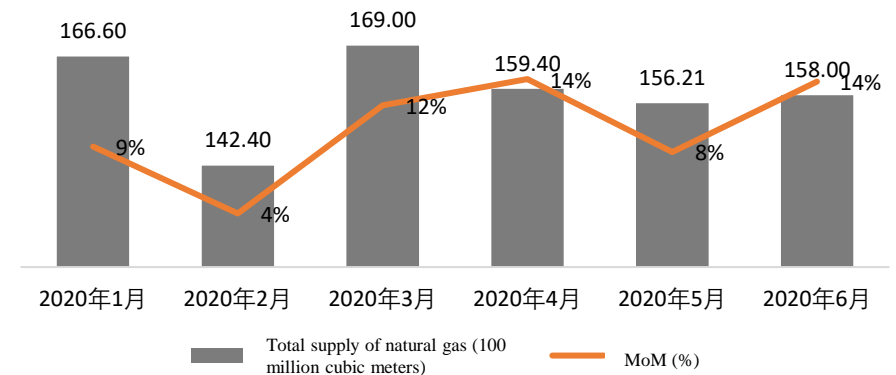
### Average Ex-factory Price of LNG Plants and Receiving Terminals in China



### China's Natural Gas Consumption Structure



### Domestic + Imports, stable supply of China's natural gas



# PipeChina Kicks Off Natural Gas Industry Reform

## Impact on natural gas industry

### Upstream

- Policy entry barriers on upstream exploration of natural gas will be eliminated and open competition will be welcomed.

### Midstream

- The complicated midstream natural gas pipelines will be unified and a “single national network“ will be formed. It is widely expected to establish an operation model of “pipe capacity trading + Coordinated operation” in realizing interconnected operation.

### Downstream

- City gas market will be more competitive with upstream exploration players enter into downstream market through re-organization. Natural gas user will benefit from it.

### Trading Environment

- Multiple entities are encouraged to participate in the construction of LNG receiving stations and other infrastructure, (40 LNG receiving stations by 2035, with an annual receiving capacity of approximately  $2.5 \times 10^8$  t).
- China’s natural gas import entities will become diversified, and more large terminal enterprises, traders, and non-oil companies will try to develop natural gas import business.

## Opportunities to CIMC Enric

### Processing

- With increase in exploration and production, unconventional gas purification and liquefaction equipment will have certain development opportunities.

### Storage

- Benefit from active investment on LNG receiving stations and storage facilities.
- Benefit from active natural gas trading, increased storage facilities and more flexible downstream cooperation models.

### Transportation

- More import channels will be developed, such as LNG carriers, tank containers, and small-to-medium-sized carriers for inland water transshipment will become more flexible.

### Application

- LNG HTD and other oil-to-gas application on transportation fuel sector.
- The refilling stations for land and river will increase, and the refilling method will be more flexible



# Downstream Oil-to-gas Conversion is Clean and Economical

## ➤ National policy encourages oil-to-gas conversion in traffic sector

- The State Council's "Three-Year Action Plan for Winning the Blue Sky Defense Battle" policy advocates the use of LNG fuel for vehicles & ships;
- China VI Emission Standard upgrade highlights the advantages of LNG HD;
- International Seas IMO Sulfur Limitation Order has taken effect since Jan. 2020;
- China's Ministry of Communications, Guangdong, Shanghai and other places have issued documents to encourage more ships turn to use clean energy;
- In the first half of 2020, the Ministry of Transport issued the "Inland Navigation Development Plan", which played a positive role in promoting the development of LNG marine carriers.
- CSSC, the Guangdong Provincial Government and CNOOC jointly promoted the renovation of 1,500 LNG ships and the construction of 19 LNG refueling stations by 2015.

## ➤ On-Vehicle & Marine Fuel Tank business

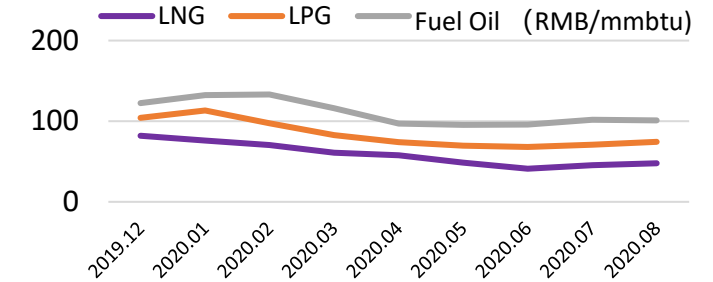
- In the first half of 2020, we've record good sales of on-vehicle cylinders which has covered the most major LNG heavy truck manufacturers in China with market share increased to 34%.
- The market share of marine LNG fuel tank has maintained No.1 for 4 consecutive years, and has established strategic cooperative relationships with many world-renowned ship power system integrators

From left to right:

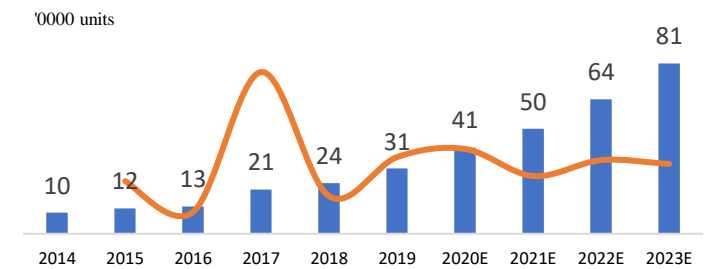
- CIMC Enric LNG on-vehicle cylinders;
- Provide fuel tank to the first LNG barge traveling around the Beijing-Hangzhou Canal;
- Help building the first domestic oil-gas-electric hybrid ship in China.



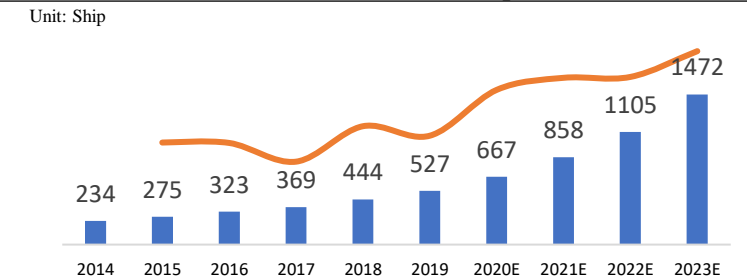
Price comparison between LNG and major alternative energy sources in East China



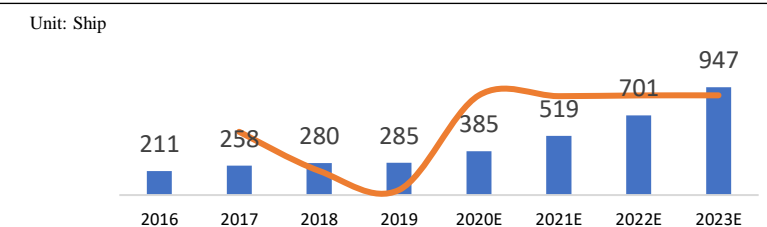
China's LNG heavy truck ownership and growth rate



International LNG Vessel Ownership and Growth Rate



China's Inland River LNG Vessels and Growth Rate



# Rapid Growth of LNG Transportation Equipment Benefiting from Active LNG Trading

## Liquefied gas carrier market

- There was 10 small-to-medium-sized liquefied gas carriers (below 40,000 m<sup>3</sup>) out in the global market during first half and it is expected to be 25 for the whole year.
- The number LNG carriers signed has increased during first half, accounting for more than 88% of the current new signings. Chinese shipyard has taken 61% of the newly signed LNG carriers.

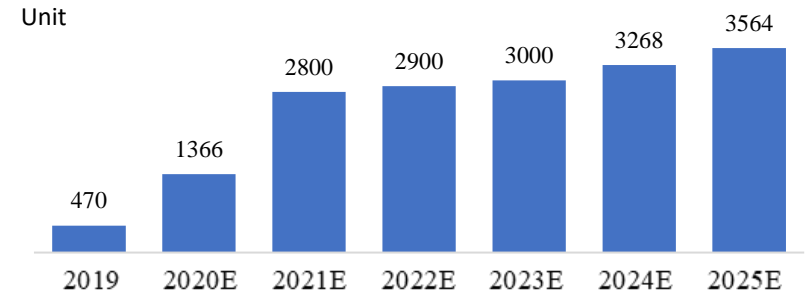
## LNG trailer market

- Benefited from the active LNG trading due to cheap LNG imports, the market size of LNG trailer grew by 115% YoY to over 900 units in the 1H 2020. With LNG consumption growing up, LNG trailers is of great prospect.
- CIMC Enric enjoys the largest market share of LNG tank trailer in China.

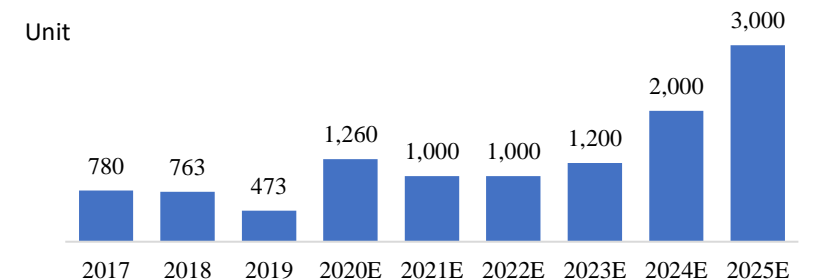
## LNG tank container market

- The "*Requirements for the Safe Transportation of Liquefied Natural Gas Tank Containers Carrying Whole Ships (Trial)*" was officially issued during first half, and the standardized supervision of shipping LNG tank containers in large batch through waterway.
- To cater the peak-shaving requirements, we cooperate with customers to expand the yard model of "LNG tank container peak-shaving reserve", combined with the expansion of industrial customers' satellite supply mode and thus promote the sales.

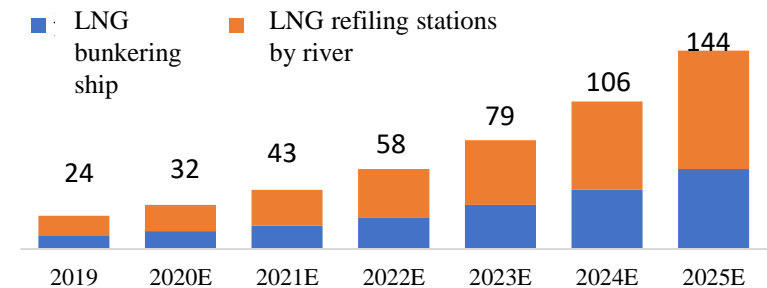
Change of new demand on China's LNG tank trailer



China's new demand for LNG tank container



New trends in the LNG water bunkering market



# Storage Equipment and Engineering Market Sees Development Potential

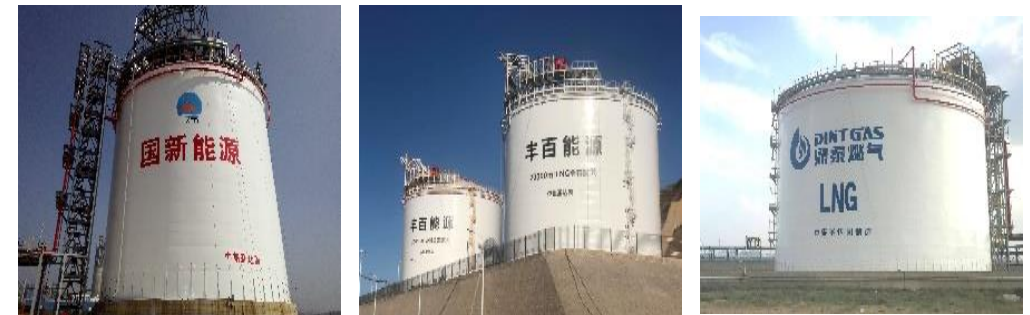
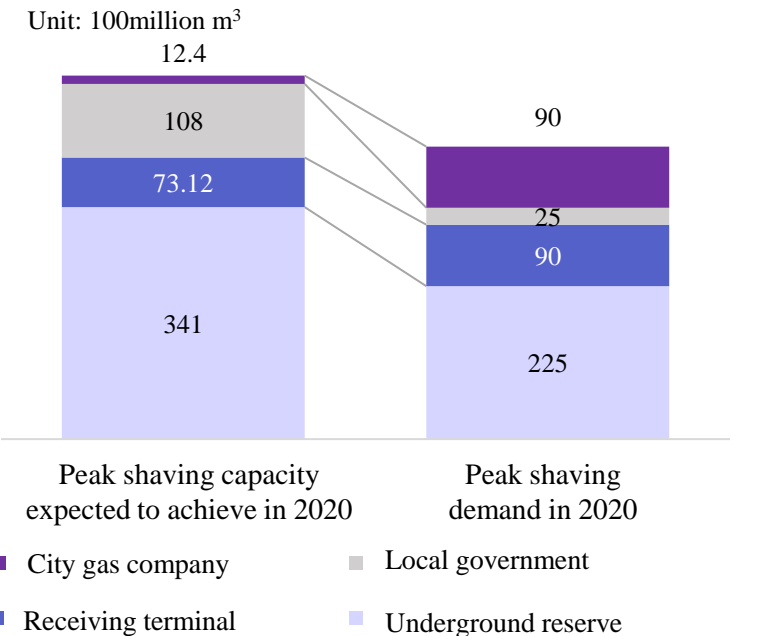
## The potential of peak shaving reserve construction is still enormous

- In April 2018, NDRC proposed gas storage KPI as: 10% / 5% / 3 days for 2018-2020, which is expected to require 17.7 billion m<sup>3</sup> of storage capacity.
- “Implementation Opinions on Accelerating the Construction of Natural Gas Storage Capacity” mentioned that 1.692 billion RMB will be allocated from the central budget to support the construction of local gas storage capacity.
- It is expected that in 2020, China will exceed the goal of natural gas peak shaving construction with a total reserve capacity of 41.1 billion m<sup>3</sup>, the capacity of local governments and city gas companies will reach 10.8 billion m<sup>3</sup> and 1.24 billion m<sup>3</sup> respectively.
- In the future, new local peak shaving facilities will be scaled up, and the proportion of large-scale storage tanks with capacity over 10,000 m<sup>2</sup> will continue to increase.
- China's natural gas storage peak shaving operation model is still being explored, and it will gradually become market-driven in the future.

## Strong market demand drives performance growth

- CIMC Enric has signed 108 storage tank projects since 2018, involving more than 300 storage tanks, ranking the 1<sup>st</sup> in the industry.
- There’s a lot of information about peak shaving storage ongoing projects, most of the opportunities are from Jiangsu, Hebei, Shandong, Guangdong, Zhejiang and other provinces.

## China's natural gas peak shaving capacity exceeds its target in 2020z



Sharing of some storage tank projects undertaken by CIMC Enric

# Hydrogen Storage, Transportation and Refilling (“S-T-R”) will become a Growth Driver

## Hydrogen storage and transportation

## Hydrogen refilling station

## On-vehicle hydrogen supply system

- In 2010, Supplied 45MPa Hydrogen refuelling trailer and cylinders for Shanghia World Expo.
- In 2011, Supplied 45MPa trailers and high-pressure seamless cylinders for refilling stations at Shenzhen Universiade.
- In 2013, delivered a 300m<sup>3</sup> liquified hydrogen storage container to Hainan Wenchang Spacecraft Launch Site.
- In 2017, completed the development of 25MPa type on-vehicle hydrogen cylinder and initiated the development of 45MPa hydrogen compressor;
- In 2018, Supported China’s first 70MPa hydrogen refuelling stations with the new design of 87.5MPa hydrogen storage vessel.
- In 2019, secured the tender for 500 sets on-vehicle hydrogen supply system for logistic-use light vehicles.
- The development and application of liquid hydrogen storage and transportation equipment are in progress, awaiting the upsurge of domestic private market.

**CIMC Enric is the largest manufacturer among the China's hydrogen S-T-R equipment industry, with the most comprehensive product portfolio and market leading position.**

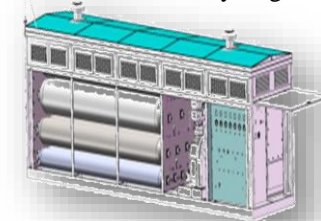
- ❖ In May 2020, we signed a strategic cooperation Letter of Intent with Hexagon of Norway to actively introduce the world's leading Type 4 hydrogen storage transportation equipment technology.
  - Type IV bottle is designed with plastic inner liner with carbon fiber winding for higher pressure, lower weight, higher storage, strong resistance to hydrogen corrosion, and longer life. Widely used by European high end companies.
  - Assuming that China’s hydrogen fuel cell electric vehicles (“FCEV”) will reach one million units by 2030, hydrogen cylinder market is expected to reach 20 billion RMB.



High-pressure Hydrogen Tube Container and Trailer



Aluminum liner carbon fiber Type III on-vehicle hydrogen cylinders



Skid mounted hydrogen refueling station



Self-developed refueling machine



On-vehicle Cylinder Set



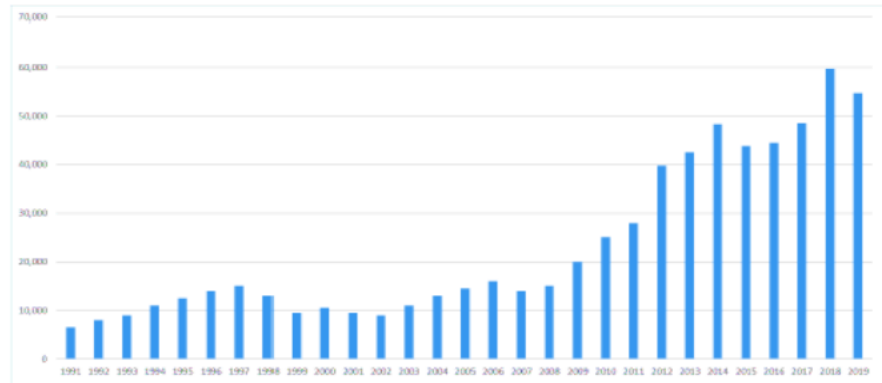


# Chemical & Environmental Business

## 化工环境

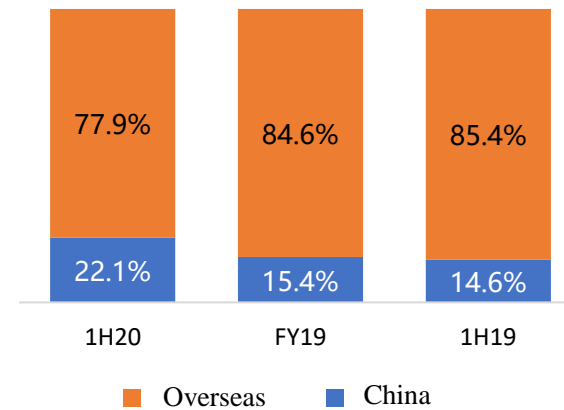
# Chemical Tank Container Industry is Under Pressure in 2020

## Global Tank Container Production (1990 to 2019)



Reference: ITCO 2020 Global Tank Container Fleet Survey

## Oversea & Chinese Sales Contribution



New high-end electronic chemical tank container processing workshop

- The number of tank containers produced drops slightly in 2019, which is resulted from nature of the industry - a phenomenon witnessed by the industry over the past 25 years, that **the tank container industry has been growing in longer term but being cyclical in a shorter period.**
- Affected by COVID-19, the overall demand for the tank container has dropped significantly, and the market competition has further deteriorated. But **CIMC Enric has maintained its leading position in the industry.**
- **The tank container market continues to expand with a relatively flat growth rate.** As a safe, reliable, economical and environmentally friendly logistics method, tank containers are welcomed by the global chemical logistics industry.
- In particular, the localization trend of semiconductor industry in China has brought historical opportunities for the growth of chemical logistics equipment.

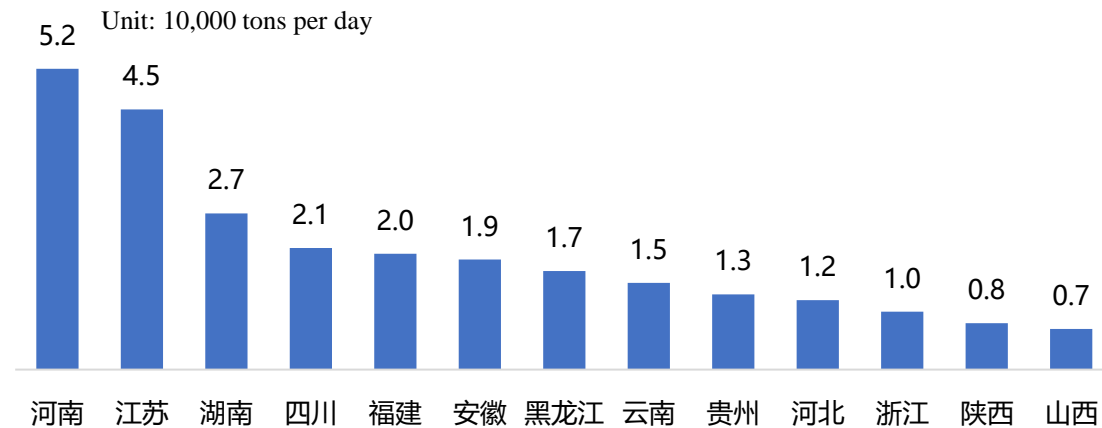


# Entering Environmental Protection Sector by Key Equipment Capabilities

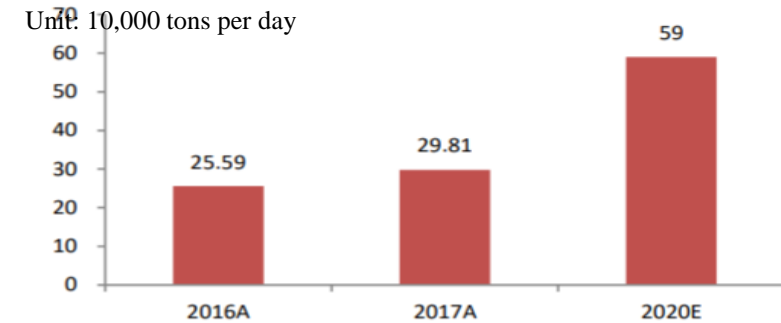
## China's Environmental Hazardous Waste Management Industry

- The new “Environmental Protection Law” was formally implemented in 2015 and imposes severe penalties and presents opportunities for hazardous waste management.
- In 2016, "Two High Judicial Interpretations" clarified illegal dumping carries criminal responsibilities.
- In 2019, the Ministry of the Environment's "Clean-up Movement" was launched to carry out special actions for solid waste and hazardous waste treatment in 11 provinces and cities in the Yangtze River Economic Belt.
- In 2019, the Ministry of Ecology and Environment issued the *General Standards for Distinguishing Hazardous Wastes* and the *Technical Specifications for Hazardous Waste Distinguishing*, further improving the distinguishing procedures and technical requirements for hazardous wastes, accelerating the waste reduction from source and the target of recycling.

## Estimated New Capacity of Waste Incineration



## "13th Five-Year Plan" Indicators for Harmless Treatment of Urban Domestic Waste



## Environmental Business Capability Progress

- Skid-mounted landfill leachate treatment: five series of products with daily processing capacity from 50 to 280 tons product
- Industrial wastewater treatment device (MVR equipment): according to different treatment capacity and treatment requirements, develop customized dual-effect cross-flow MVR evaporation and concentration system and extend the EPC projects



From left to right:

- Skid-mounted chemical leachate treatment device;
- Industrial wastewater treatment plant.



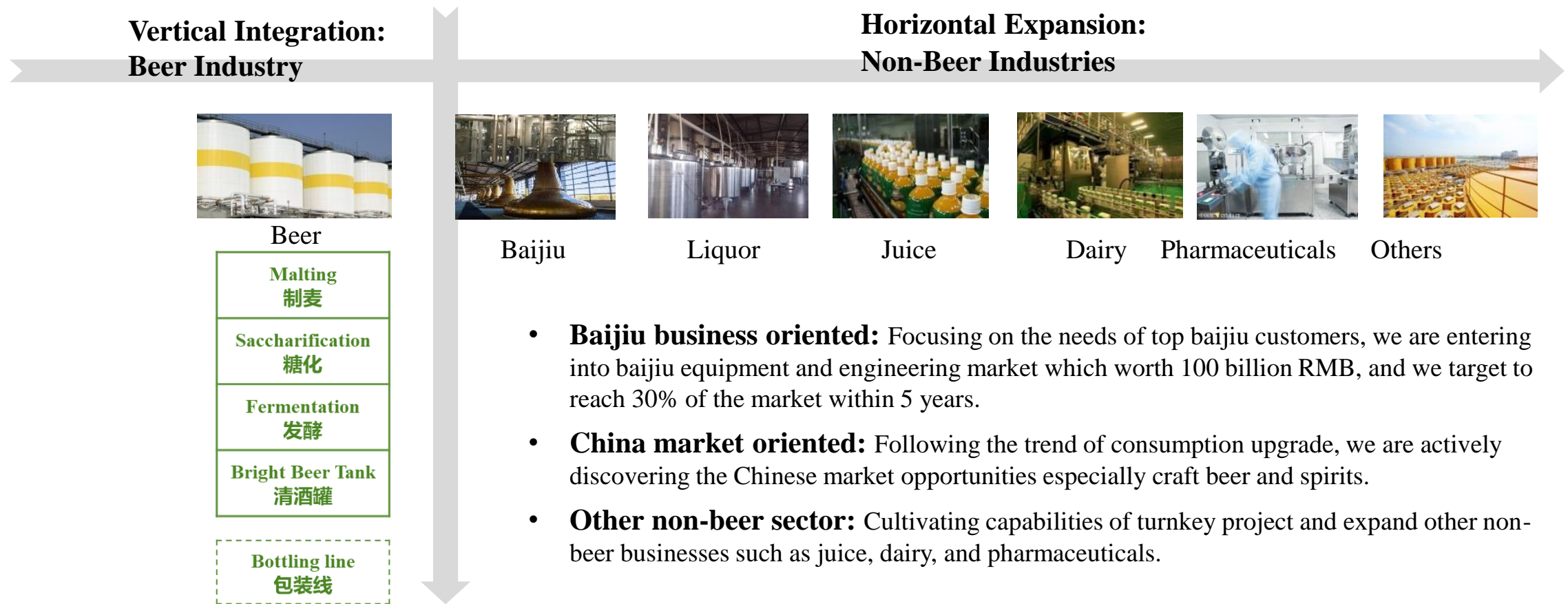
# Liquid Food

## 液态食品



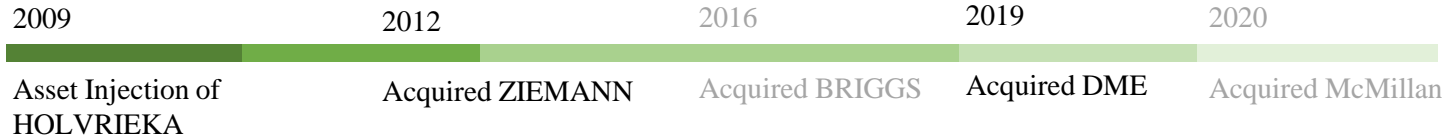
# Horizontal & Vertical Strategic Development

- Industries other than beer, such as pharmaceuticals, dairy products and fruit juices have a huge market space and enjoys good profitability.
- Currently, around 78% of the Segment's revenue is from the beer industry, and the rest 22% from the non-beer industry.



- **Baijiu business oriented:** Focusing on the needs of top baijiu customers, we are entering into baijiu equipment and engineering market which worth 100 billion RMB, and we target to reach 30% of the market within 5 years.
- **China market oriented:** Following the trend of consumption upgrade, we are actively discovering the Chinese market opportunities especially craft beer and spirits.
- **Other non-beer sector:** Cultivating capabilities of turnkey project and expand other non-beer businesses such as juice, dairy, and pharmaceuticals.

# Realise the Market Potential of Craft Beer Driven by Consumption Upgrading



Founded in 1947, Holvrieka is the leader in the R&D, manufacturing and installation of stainless steel tanks.

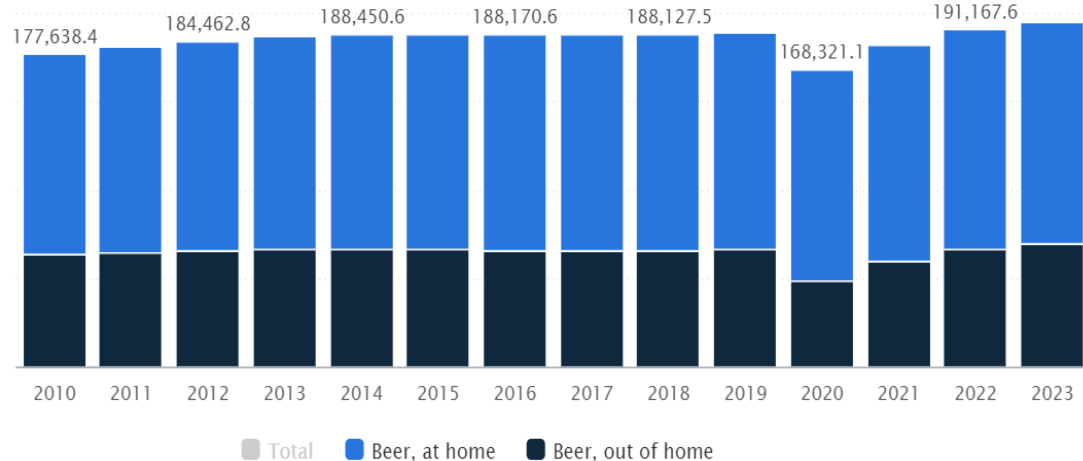
ZIEMANN, a German brand with 160 years of history, is the leading supplier of global brewery turnkey engineering and saccharification transformation technology. It has set many top records in the beer brewing area around the world.

DME is a leader in craft beer engineering design and equipment manufacturing in North America. It has accumulated strong technical capital in craft beer, distillation, fermentation and pharmaceutical industries.

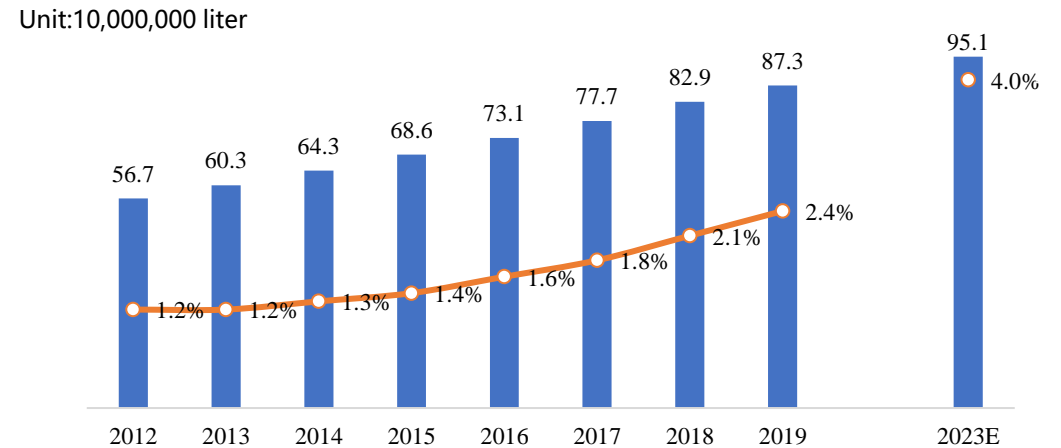
- The industrial beer sector is slowing down and into its mature cycle while **premium craft beer is emerging rapidly.**
- Against the pandemic backdrop, catering industry has been inevitably hit hard in the short term. However, we remain optimistic about the craft beer segment in long term and committed to provide one-stop solutions.

- In 2019, China's craft beer consumption was 873 million liter (about 2.4% of total beer consumption). By 2023, the number is estimated to exceed 951 million liter (about 4% of total beer consumption).

**Global beer consumption expected to reach 195.5 billion liters in 2023**



**Craft beer consumption and its proportion to beer consumption in China**



Source: 中国酒业协会, VC SaaS, Statista, 发展部整理







# Q&A



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# 联系方式

## Contacts

电话 Tel : (852) 2528 9386

传真 Fax : (852) 2865 9877

邮箱 Email : ir@enric.com.hk

地址 Address : 【Headquarters 公司总部】

CIMC R&D Center, No.2 Gangwan Avenue,  
Shekou Industrial Zone, Shenzhen, Guangdong,  
The PRC

中国广东省深圳蛇口工业区港湾大道2号中  
集集团研发中心

Unit 908, 9/F., Fairmont House, 8 Cotton Tree  
Drive, Central, Hong Kong

香港中环红棉路8号东昌大厦9楼908室

投关平台 IR portal : <http://www.irasia.com/listco/hk/enric>

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