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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Announcement of Annual Results for the Year Ended 31 December 2018, The 2018 Final Dividend, Closure of Register of Members and Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2018 Final Dividend

FINANCIAL HIGHLIGHTS

	2018	2017	
	RMB'000	*RMB'000*	
		(restated)	
Revenue	**13,051,651**	10,706,590	21.9%
Profit from operations	**1,098,087**	743,960	47.6%
Profit attributable to shareholders	**785,502**	420,077	87.0%
Basic earnings per share	**RMB0.403**	RMB0.217	85.7%

The Board of Directors (the "**Board**") of CIMC Enric Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announces the audited financial results of the Group for the year ended 31 December 2018 together with the comparative figures for the year 2017.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	Year ended 31 December **2018** ***RMB'000***	 2017 *RMB'000* (restated)
Revenue	3 & 8	**13,051,651**	10,706,590
Cost of sales		**(10,825,903)**	(8,979,565)
Gross profit		**2,225,748**	1,727,025
Change in fair value of derivative financial instruments		**(2,064)**	10,495
Other revenue		**255,663**	214,174
Other income, net		**90,195**	25,970
Net impairment loss on financial assets		**(10,678)**	(38,409)
Selling expenses		**(372,379)**	(312,334)
Administrative expenses		**(1,088,398)**	(882,961)
Profit from operations		**1,098,087**	743,960
Finance costs	4(a)	**(73,577)**	(79,402)
Impairment provision	5	**–**	(105,549)
Share of post-tax loss of associates		**(4,094)**	(245)
Profit before taxation	4	**1,020,416**	558,764
Income tax expenses	6	**(237,966)**	(135,866)
Profit for the year		**782,450**	422,898
Attributable to:			
Equity shareholders of the Company		**785,502**	420,077
Non-controlling interests		**(3,052)**	2,821
Profit for the year		**782,450**	422,898
Earnings per share	7		
– Basic		**RMB0.403**	RMB0.217
– Diluted		**RMB0.398**	RMB0.215

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(restated)
Profit for the year	782,450	422,898
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	(38,689)	107,957
Total comprehensive income for the year	743,761	530,855
Attributable to:		
Equity shareholders of the Company	746,813	528,034
Non-controlling interests	(3,052)	2,821
Total comprehensive income for the year	743,761	530,855

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 (restated)
Non-current assets			
Property, plant and equipment		**2,615,084**	2,590,329
Construction in progress		**148,938**	129,917
Investment property		**–**	18,981
Lease prepayments		**577,541**	508,963
Intangible assets		**204,976**	230,136
Equity investments		**129,739**	–
Investment in associates		**1,661**	5,755
Prepayment for acquisition of equity interests		**50,000**	–
Goodwill		**256,849**	273,926
Deferred tax assets		**107,333**	104,070
		4,092,121	3,862,077
Current assets			
Derivative financial instruments		**1,749**	298
Inventories		**3,864,951**	3,053,574
Contract assets		**787,547**	1,051,728
Trade and bills receivables	9	**3,011,733**	2,980,045
Deposits, other receivables and prepayments		**616,760**	516,942
Amounts due from related parties		**183,251**	186,087
Restricted bank deposits		**364,971**	265,592
Cash and cash equivalents		**2,930,271**	2,259,890
		11,761,233	10,314,156
Current liabilities			
Derivative financial instruments		**3,515**	–
Bank loans		**477,787**	1,390,308
Loans from related parties		**35,000**	105,000
Other borrowings		**8,305**	8,163
Trade and bills payables	10	**2,711,308**	2,432,934
Contract liabilities		**2,950,127**	2,168,587
Other payables and accrued expenses		**1,525,315**	1,313,809
Amounts due to related parties		**151,699**	127,712
Warranty provision		**199,902**	84,099
Income tax payable		**26,196**	38,014
Employee benefit liabilities		**480**	440
		8,089,634	7,669,066

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(restated)
Net current assets		**3,671,599**	2,645,090
Total assets less current liabilities		**7,763,720**	6,507,167
Non-current liabilities			
Bank loans		**686,320**	–
Warranty provision		**86,311**	182,266
Deferred tax liabilities		**169,235**	165,837
Deferred income		**248,646**	254,048
Employee benefit liabilities		**4,321**	3,793
Other borrowings		**23,093**	31,444
		1,217,926	637,388
NET ASSETS		**6,545,794**	5,869,779
CAPITAL AND RESERVES			
Share capital		**18,253**	17,793
Reserves		**6,349,454**	5,706,846
Equity attributable to equity shareholders of the Company		**6,367,707**	5,724,639
Non-controlling interests		**178,087**	145,140
TOTAL EQUITY		**6,545,794**	5,869,779

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non–controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017 (as previously reported)	17,743	147,005	1,124,571	171,748	(428,754)	452,424	3,673,994	5,158,731	143,334	5,302,065
CIMC Nantong Port Development Co., Ltd ("NYX") under common control combination	–	–	3,000	–	–	293	2,791	6,084	–	6,084
At 1 January 2017 (restated)	17,743	147,005	1,127,571	171,748	(428,754)	452,717	3,676,785	5,164,815	143,334	5,308,149
Profit for the year	–	–	–	–	–	–	420,077	420,077	2,821	422,898
Other comprehensive income										
Currency translation differences	–	–	–	–	107,957	–	–	107,957	–	107,957
Total comprehensive income for the period	–	–	–	–	107,957	–	420,077	528,034	2,821	530,855
Issuance of ordinary shares in connection with exercise of share options	50	21,897	–	(6,481)	–	–	–	15,466	–	15,466
Transfer to retained earnings	–	–	–	(3,892)	–	–	3,892	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,007	1,007
Equity-settled share-based transactions	–	–	–	16,324	–	–	–	16,324	–	16,324
Transfer to general reserve	–	–	–	–	–	30,837	(30,837)	–	–	–
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(2,022)	(2,022)
Total contributions by and distributions to owners of the company, recognised directly in equity	50	21,897	–	5,951	–	30,837	(26,945)	31,790	(1,015)	30,775
At 31 December 2017 (restated)	17,793	168,902	1,127,571	177,699	(320,797)	483,554	4,069,917	5,724,639	145,140	5,869,779

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for share award scheme *RMB'000*	Contributed surplus *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017 (as previously reported)	**17,793**	**168,902**	**–**	**1,124,571**	**177,699**	**(320,797)**	**483,261**	**4,064,409**	**5,715,838**	**145,140**	**5,860,978**
NYX under common control combination	–	–	–	3,000	–	–	293	5,508	8,801	–	8,801
At 31 December 2017 (restated)	**17,793**	**168,902**	**–**	**1,127,571**	**177,699**	**(320,797)**	**483,554**	**4,069,917**	**5,724,639**	**145,140**	**5,869,779**
Adjustment on adoption of Hong Kong Financial Reporting Standard ("HKFRS") 9, net of tax	–	–	–	–	–	–	–	(8,102)	(8,102)	–	(8,102)
Adjustment on adoption of HKFRS 15, net of tax	–	–	–	–	–	–	–	(7,560)	(7,560)	–	(7,560)
At 1 January 2018 (restated)	**17,793**	**168,902**	**–**	**1,127,571**	**177,699**	**(320,797)**	**483,554**	**4,054,255**	**5,708,977**	**145,140**	**5,854,117**
Profit for the year	–	–	–	–	–	–	–	785,502	785,502	(3,052)	782,450
Other comprehensive income											
Currency translation differences	–	–	–	–	–	(38,689)	–	–	(38,689)	–	(38,689)
Total comprehensive income for the period	–	–	–	–	–	(38,689)	–	785,502	746,813	(3,052)	743,761
Issuance of shares in connection with exercise of share options	69	30,189	–	–	(8,812)	–	–	–	21,446	–	21,446
Issuance of ordinary shares in connection with share award scheme	391	142,472	(144,977)	–	–	–	–	–	(2,114)	–	(2,114)
Transfer to retained earnings	–	–	–	–	(5,279)	–	–	5,279	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	32,031	32,031
Acquisition of additional interest in a subsidiary	–	–	–	–	(5,460)	–	–	–	(5,460)	5,460	–
Equity-settled share-based transactions	–	–	–	–	29,960	–	–	–	29,960	–	29,960
Change in ownership interests in a subsidiary without change of control	–	–	–	–	2,571	–	–	–	2,571	1,286	3,857
Transfer to general reserve	–	–	–	–	–	–	35,557	(35,557)	–	–	–
2017 final dividend paid	–	–	–	–	–	–	–	(131,486)	(131,486)	–	(131,486)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,778)	(2,778)
Distribution to previous shareholders of NYX under common control combination	–	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the company, recognised directly in equity	460	172,661	(144,977)	(3,000)	12,980	–	35,557	(161,764)	(88,083)	35,999	(52,084)
At 31 December 2018	**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**

NOTES

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated results set out in this announcement are extracted from the financial statements of the Group for the year ended 31 December 2018. The financial statements are presented in Renminbi ("RMB") unless otherwise stated.

The consolidated financial statements of CIMC Enric Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and other comprehensive income.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the soon published Annual Report 2018.

Restatement due to common control combination

On 23 April 2018, Ziemann Holvrieka Asia Co., Ltd. ("**ZHA**"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire from Shenzhen South CIMC Logistics Co., Ltd. ("**South Logistics**") 100% of the registered capital of Nantong Yongxin Logistics Co., Ltd. ("**NYX**", currently known as CIMC Nantong Port Development Co., Ltd.) for an aggregate consideration of RMB3,000,000.

Since the Company, South Logistics, ZHA and NYX are ultimately controlled by China International Marine Containers (Group) Co., Ltd. ("**CIMC**") both before and after the above mentioned acquisition, this acquisition is regarded as "common control combination". Accordingly, the Company has applied merger accounting to account for the acquisition of NYX in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In applying merger accounting, the consolidated financial information/statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial information/statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

Reconciliation of the results of operations for the year ended 31 December 2017 and the financial position as at 31 December 2017 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	Year ended 31 December 2017				**Year ended 31 December 2018**
	The Group	NYX	Elimination	The Group	**The Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(as previously reported)			(restated)	
Revenue	10,671,276	35,314	–	10,706,590	**13,051,651**
Profit from operations	740,475	3,485	–	743,960	**1,098,087**
Profit for the period	420,181	2,717	–	422,898	**782,450**
Profit for the period attributable to equity shareholders of the Company	417,360	2,717	–	420,077	**785,502**
Earnings per share					
Basic earnings per share (RMB)	0.215	–	–	0.217	**0.403**
Diluted earnings per share (RMB)	0.213	–	–	0.215	**0.398**

	As at 31 December 2017				**As at 31 December 2018**
	The Group	NYX	Elimination	The Group	**The Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(as previously reported)			(restated)	
Current assets	10,305,316	11,801	(2,961)	10,314,156	**11,761,233**
Total assets	14,167,219	11,975	(2,961)	14,176,233	**15,853,354**
Current liabilities	7,668,853	3,174	(2,961)	7,669,066	**8,089,634**
Total liabilities	8,306,241	3,174	(2,961)	8,306,454	**9,307,560**
Equity attributable to equity shareholders of the Company	5,715,838	8,801	–	5,724,639	**6,367,707**

2 SIGNIFICANT ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendment)	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements	Amendment to HKFRS 1 First Time Adoption of HKFRS 1
2014–2016 cycle	Amendment to HKAS 28 Investments in Associates and Joint Ventures

The adoption of the new and amended standards does not have significant impact on the consolidated financial statements except for HKFRS 9 and HKFRS 15. Please refer to note 2(c) below.

(b) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2018 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 16 Leases*(i)*	1 January 2019
HK (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19 " Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to HKAS 28 "Long-term interests in Associates and Joint Ventures"	1 January 2019
HKFRS 3 Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8 definition of material	1 January 2020
HKFRS 17 Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

(i) HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. The Group will apply the standard from its mandatory adoption date of 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information/statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The adjustments arising from the new accounting policies are not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. However, the reclassifications for "contract assets" and "contract liabilities" have been reflected in the restated balance sheet as at 31 December 2017 for presentation purpose.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details below.

	31 December 2017 After restatement for combination of NYX	**HKFRS 9**	**HKFRS 15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet				
Inventories	3,053,574	–	18,719	3,072,293
Trade and bills receivables	2,980,045	(10,803)	(28,799)	2,940,443
Deposits, other receivables and prepayments	1,568,670	–	(1,051,728)	516,942
Contract assets	–	–	1,051,728	1,051,728
Current assets	10,314,156	(10,803)	(10,080)	10,293,273
Deferred tax assets	104,070	2,701	2,520	109,291
Non-current assets	3,862,077	2,701	2,520	3,867,298
Total assets	14,176,233	(8,102)	(7,560)	14,160,571
Other payables and accrued expenses	3,482,396	–	(2,168,587)	1,313,809
Contract liabilities	–	–	2,168,587	2,168,587
Current liabilities	7,669,066	–	–	7,669,066
Total liabilities	8,306,454	–	–	8,306,454
Reserves	5,706,846	(8,102)	(7,560)	5,691,184
Equity attributable to equity shareholders of the Company	5,724,639	(8,102)	(7,560)	5,708,977

3 REVENUE

The Group is principally engaged in the design, development, manufacturing, engineering and sales 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 tax 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 year is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Sales of goods	**9,321,439**	7,596,873
Revenue from project engineering contracts	**3,730,212**	3,109,717
	13,051,651	10,706,590

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Interest on bank loans and other borrowings	**67,676**	76,648
Bank charges	**5,901**	2,754
	73,577	79,402

(b) Staff costs[(i)]

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Salaries, wages and allowances	**1,593,282**	1,418,309
Contributions to retirement schemes	**70,877**	64,334
Equity-settled share-based payment expenses for		
share option scheme	**3,183**	16,324
restricted share award scheme	**26,777**	–
	1,694,119	1,498,967

(c) Other items

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Cost of inventories[(i)]	**7,263,356**	6,034,910
Auditors' remuneration		
– Audit services	**6,095**	6,816
– Non-audit services	**1,076**	1,309
Depreciation of property, plant and equipment[(i)]	**230,089**	202,951
Amortisation of intangible assets	**34,950**	40,496
Amortisation of lease prepayments	**14,427**	11,813
Impairment of goodwill	**17,087**	38,000
Impairment provision for receivables from Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd., ("SOE") *(note 5)*	**–**	105,549
Write-down of inventories	**65,473**	37,044
Reversal of write-down of inventories	**(6,622)**	(14,648)
Acquisition-related cost	**–**	20,593
Research and development costs	**221,049**	170,529
Operating lease charges for property rental	**55,611**	19,547
Provision for product warranties	**59,490**	116,038

(i) Cost of inventories includes RMB578,845,000 (2017: 427,852,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above.

(d) Net impairment loss on financial assets

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Impairment provision for trade receivables	**35,039**	69,721
Reversal of impairment provision for trade receivables	**(24,361)**	(27,924)
Reversal of impairment provision for other receivables	**–**	(3,388)
	10,678	38,409

5 IMPAIRMENT PROVISION

The amount represents the provisions for impairments which is analysed as below:

	2018	2017
	RMB'000	*RMB'000*
Impairment provision for receivable from SOE	**–**	105,549

On 27 August 2015, an indirect wholly-owned subsidiary of the Company, CIMC Enric Investment Holdings (Shenzhen) Ltd. ("**EIHL**"), entered into an agreement ("**Agreement**") with SOEG PTE LTD, Jiangsu Pacific Shipbuilding Group Co., Ltd. and Evergreen Group Co., Ltd. (collectively, the "**SOEG**"), shareholders of SOE, pursuant to which the Vendors agreed to sell and EIHL agreed to purchase 100% equity interest in SOE. Afterwards, the Company, SOE and Evergreen Group Co., Ltd. entered into a financial assistance framework agreement ("**Financial Assistance Agreement**") which governed the financial assistance provided by the Group to SOE in the form of loans and guarantees.

During 2016, the Directors considered certain conditions precedents in the Agreement could not be fulfilled and the Vendors breached certain material terms of the Agreement, hence the Agreement and the Financial Assistance Agreement were terminated by EIHL. The Company has assessed the recoverability of the receivable from SOE and for the year ended 31 December 2016, a provision of RMB1,184,281,000 was provided for the receivable from the SOE.

In 2017, SOE was in receivership of the SOE Insolvency and Liquidation Team (the "**Receiver**") which was appointed by the PRC Court. The Company, based on the best knowledge available and the repayment capability analysis provided by the Receiver, made a further impairment provision of RMB105,549,000 to write down the receivables due from SOE for the year ended 31 December 2017.

On 5 July 2017, EIHL, SOE and the Receiver entered into a restructuring investment agreement (the "**Restructuring Plan**") pursuant to which EIHL as the restructuring investor, offered to purchase the major assets of the SOE through acquiring the entire equity interest in SOE. Subsequently, the Restructuring Plan was officially approved by SOE's creditors at the creditors' meeting and the PRC Court on 22 July 2017 and 4 August 2017 respectively and SOE became a direct wholly-owned subsidiary of EIHL on 4 August 2017.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Current tax		
Provision for the year	**235,581**	188,861
Over-provision in respect of prior years	**(2,329)**	(6,973)
	233,252	181,888
Deferred tax		
Origination and reversal of temporary differences	**4,714**	(46,022)
	237,966	135,866

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 years.

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

Pursuant to the Tax Law, "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which the Company and all the foreign incorporated subsidiaries with shareholdings in the PRC subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the year, no deferred withholding tax liability 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.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*(RMB'000*
		(restated)
Profit before taxation	**1,020,416**	558,764

	2018	2017
	RMB'000	*(RMB'000*
		(restated)
Notional tax on profit before taxation, calculated at the applicable rates	**306,815**	142,365
Effect of tax concessions	**(78,067)**	(54,443)
Tax effect of super deduction	**(8,470)**	(12,135)
Tax effect of non-deductible expenses	**4,927**	10,488
Tax effect of impairment provision for which no deferred tax assets were recognised[(i)]	**1,890**	26,387
Tax effect of unused tax losses not recognised	**14,153**	32,169
Over-provision in prior years	**(2,329)**	(6,973)
Utilisation of tax losses which no deferred tax assets were recognised before	**(953)**	(1,992)
Income tax expenses	**237,966**	135,866

(i) For the year ended 31 December 2018, it represents the tax effect of the impairment provision of approximately RMB12,599,000, in aggregate recorded by a subsidiary for the trade receivables. The Group did not recognise deferred tax assets of RMB1,890,000 in respect of the impairment provision as management considered it is uncertain if that subsidiary will generate sufficient taxable profit to realise these deferred tax assets in foreseeable future.

For the year ended 31 December 2017, it represents the tax effect of the impairment provision of approximately RMB105,549,000, in aggregate recorded by EIHL for the receivables due from SOE (note 5). The Group did not recognise deferred tax assets of RMB26,387,000 at the year ended 31 December 2017 in respect of the impairment provision as management considered it is uncertain that EIHL will generate sufficient taxable profit to realise these deferred tax assets in foreseeable future.

7 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity shareholders of the Company is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**785,502**	420,077

	2018	2017
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,947,564,735**	1,939,576,170
Effect of dilutive potential ordinary shares in respect of the Company's share option and restricted award share	**23,669,201**	16,443,232
Weighted average number of shares for the purpose of diluted earnings per share	**1,971,233,936**	1,956,019,402

8 SEGMENT REPORTING

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

- **Clean energy:** this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas industry.

- **Chemical and environmental:** this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.

- **Liquid food:** this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, fruit juice and milk and the provision of engineering, procurement and construction services for the brewery industry as well as other liquid food industries.

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at the Group's profits, the reporting segments' adjusted profits from operations are further adjusted for items not specifically attributed to an individual reportable segment, such as finance costs, share of post-tax loss of associates, impairment provision in relation with the receivables from the Vendors and SOE, directors' remuneration, auditors' remuneration and other head office or corporate administrative expenses.

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

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

	Clean energy		Chemical and environmental		Liquid food		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)	***RMB'000***	*RMB'000* (restated)
Revenue from external customers	**6,027,083**	4,958,683	**3,768,279**	3,026,389	**3,198,237**	2,686,204	**12,993,599**	10,671,276
Inter-segment revenue	**43,424**	14,348	**132,484**	119,437	**–**	–	**175,908**	133,785
Reportable segment revenue	**6,070,507**	4,973,031	**3,900,763**	3,145,826	**3,198,237**	2,686,204	**13,169,507**	10,805,061
Timing of revenue recognition								
At a point in time	**5,538,532**	4,555,511	**3,900,763**	3,145,826	**–**	–	**9,439,295**	7,701,337
Over time	**531,975**	417,520	**–**	–	**3,198,237**	2,686,204	**3,730,212**	3,103,724
Reportable segment profit (adjusted profit from operations)	**350,590**	109,567	**537,152**	433,959	**514,245**	339,249	**1,401,987**	882,775
Interest income from bank deposits	**8,804**	5,406	**921**	886	**2,020**	2,842	**11,745**	9,134
Interest expense	**(3,475)**	(4,270)	**(12,050)**	(10,770)	**(96)**	(957)	**(15,621)**	(15,997)
Depreciation and amortisation for the year	**(195,512)**	(157,215)	**(27,417)**	(40,984)	**(55,530)**	(56,392)	**(278,459)**	(254,591)
Reportable segment assets	**9,871,736**	9,200,987	**2,375,174**	1,873,827	**3,087,411**	2,915,838	**15,334,321**	13,990,652
Additions to non-current assets during the year	**242,664**	705,277	**36,301**	48,966	**75,066**	27,021	**354,031**	781,264
Reportable segment liabilities	**4,702,290**	4,307,024	**1,299,790**	1,007,373	**2,250,282**	1,856,260	**8,252,362**	7,170,657

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

	2018 *RMB'000*	2017 *RMB'000* (restated)
Revenue		
Reportable segment revenue	**13,169,507**	10,805,061
Elimination of inter-segment revenue	**(175,908)**	(133,785)
Unallocated revenue	**58,052**	35,314
Consolidated revenue	**13,051,651**	10,706,590

	2018 *RMB'000*	2017 *RMB'000* (restated)
Profit		
Reportable segment profit	**1,401,987**	882,775
Elimination of inter-segment profit	**(87,727)**	(4,670)
Reportable segment profit derived from Group's external customers	**1,314,260**	878,105
Finance costs	**(73,577)**	(79,402)
Share of profits less losses of associates	**(4,094)**	(245)
Impairment provision	**–**	(105,549)
Unallocated operating income and expenses	**(216,173)**	(134,145)
Consolidated profit before taxation	**1,020,416**	558,764

	2018 *RMB'000*	2017 *RMB'000* (restated)
Assets		
Reportable segment assets	**15,334,321**	13,990,652
Elimination of inter-segment receivables	**(213,783)**	(249,202)
	15,120,538	13,741,450
Deferred tax assets	**107,333**	104,070
Unallocated assets	**625,483**	330,713
Consolidated total assets	**15,853,354**	14,176,233

	2018 *RMB'000*	2017 *RMB'000* (restated)
Liabilities		
Reportable segment liabilities	**8,252,362**	7,170,657
Elimination of inter-segment payables	**(213,783)**	(249,202)
	8,038,579	6,921,455
Income tax payable	**26,196**	38,014
Deferred tax liabilities	**169,235**	165,837
Unallocated liabilities	**1,073,550**	1,181,148
Consolidated total liabilities	**9,307,560**	8,306,454

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, construction in progress, lease prepayments, prepayments, and goodwill ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and construction in progress, and the location of the operation to which they are allocated, in the case of lease prepayments, prepayments, intangible assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		(restated)
PRC (place of domicile)	**6,178,742**	5,286,136	**3,406,231**	3,321,352
United States	**1,601,365**	897,465	**49**	87
European countries	**1,708,032**	1,641,137	**446,552**	410,802
Asian countries (other than PRC)	**1,453,179**	1,308,558	**557**	1,031
Other American countries	**1,725,723**	1,280,914	**–**	–
Other countries	**384,610**	292,380	**–**	–
	6,872,909	5,420,454	**447,158**	411,920
	13,051,651	10,706,590	**3,853,389**	3,733,272

For the year ended 31 December 2018, there was no single external customer that accounted for 10% or more of the Group's total revenue (2017: none).

9 TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Trade debtors and bills receivables	**3,279,222**	3,235,025
Less: allowance for doubtful debts	**(267,489)**	(254,980)
	3,011,733	2,980,045

Ageing analysis

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

	2018	2017
	RMB'000	*RMB'000*
		(restated)
Current	**1,888,773**	1,718,886
Less than 3 month past due	**665,305**	622,905
More than 3 months but less than 12 months past due	**176,244**	282,535
More than 1 year but less than 2 years past due	**134,326**	132,725
More than 2 year but less than 3 years past due	**51,898**	161,695
More than 3 years past due	**95,187**	61,299
Amounts past due	**1,122,960**	1,261,159
	3,011,733	2,980,045

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

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

10 TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade creditors	**2,233,046**	2,143,575
Bills payables	**478,262**	289,359
	2,711,308	2,432,934

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**2,210,205**	2,139,727
3 months to 12 months	**305,635**	186,677
Over 12 months	**195,468**	106,530
	2,711,308	2,432,934

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

11 DIVIDENDS

Final dividend of RMB131,486,000 in relation to the year ended 31 December 2017 was paid in 2018 (2017: no dividend was paid for the year ended 31 December 2016).

A final dividend in respect of the year ended 31 December 2018 of HKD0.14 (equivalent to approximately RMB0.12) per share has been proposed by the Directors. The proposed final dividend in respect of 2018 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

BUSINESS REVIEW

The Group is principally engaged in the design, development, manufacturing, engineering and sales 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.

Product portfolio

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

Clean Enegry Segment

- Liquefied natural gas ("**LNG**") trailers, storage tanks, tank containers and on-vehicle fuel tanks
- Compressed natural gas ("**CNG**") trailers and seamless pressure cylinders
- Liquefied petroleum gas ("**LPG**") trailers, storage tanks and tank containers
- Industrial gas trailers, storage tanks and tank containers
- Natural gas refueling station systems
- Natural gas compressors
- EPC (engineering, procurement and construction) service for the natural gas liquefaction plant
- EPC service for the petrochemical products and natural gas cryogenic storage and transportation
- EPC service for the large-scale petrochemical tank farm
- Intelligent IOT (Internet of Things) platform
- Small and medium-sized liquefied multi-gas carriers, LNG bunkering vessels, LNG powered ships
- Marine liquefied-gas tanks and LNG marine fuel tanks

Within this segment, cryogenic, medium-pressure and high-pressure equipment are mainly sold under the brand names "**Enric**", "**Sanctum**" and "**Hongtu**"; liquefaction engineering projects and EPC engineering projects operate under the brand names "**Hashenleng**", "**YPDI**" and "**Sanctum**" respectively; marine gas products and engineering services are provided under the brand name "**SOE**"; intelligent IOT platform is sold under the brand name "**Anjiehui**".

Chemical and Environmental Segment

- Tank containers for various type of chemical liquids, liquefied gas and powder type products
- Tank container intelligent telematics monitoring system
- Enviromental key equipments

Tank containers are mainly sold under the brand name "**CIMC Tank**"; the intelligent telematics monitoring system for tank containers are mainly sold under the brand name "**Tankmiles**".

Liquid Food Segment

- Stainless steel processing equipment and storage tanks
- Project engineering services, e.g. turnkey projects for the processing and distribution of beer, fruit juice and other liquid food

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

OPERATIONAL PERFORMANCE

Revenue

During the year, the clean energy segment's revenue rose by 21.5% to RMB6,027,083,000 (2017: RMB4,958,683,000). This mainly due to the increase in import of natural gas in China, especially LNG, which substantially boosted the demand for the Group's natural gas equipment and services in 2018. As a matter of fact, the Group's natural gas transportation and storage equipment benefited the most. On the other hand, the Group's natural gas application equipment saw a slight decline in revenue which to some extent offset the revenue growth from storage and transportation equipment. At the same time, the revenue of Group's other clean energy equipment (other than natural gas), remained stable. The segment remains the top grossing segment and accounted for 46.2% of the Group's total revenue (2017: 46.3%).

The chemical and environmental segment's revenue increased by 24.5% to RMB3,768,279,000 (2017: RMB3,026,389,000) mainly because of increased level of activities in the global chemical industry which raised the demand for tank containers. Moreover, the appreciation of USD against RMB during the year has also contributed to the revenue growth of this segment as most of the segment's products are priced in USD. The segment made up 28.9% of the Group's total revenue (2017: 28.3%).

The liquid food segment's revenue posted a growth of 19.1% to RMB3,198,237,000 during the year (2017: RMB2,686,204,000) due to industry sustain growth and a successful M&A strategy. The segment accounted for 24.5% of the Group's total revenue (2017: 25.1%).

The unallocated revenue increased by 64.4% to RMB58,052,000 during the year (2017: RMB35,314,000). As a result, the revenue for 2018 rose by 21.9% to RMB13,051,651,000 (2017: RMB10,706,590,000).

Gross profit margin and profitability

The clean energy segment's gross profit margin ("**GP margin**") rose to 14.6% (2017: 12.6%). The rise was mainly resulted from economies of scale and change of product mix. As for the chemical and environmental segment, its GP margin declined slightly to 16.2% (last year: 16.6%). This was attributable to the fluctuation of USD against RMB as the key products of the segment, tank containers, are mainly traded in USD. The liquid food segment's slightly rose to 22.5% during the year (2017: 22.1%) due to improved efficiency in project execution. Despite a slight fall in the chemical and environmental segment's GP margin, the improvement in both the clean energy and the liquid food segments' GP margins caused the Group's overall GP margin to rise slightly by 1.0 percentage point to 17.1% (2017: 16.1%).

Profit from operations expressed as a percentage of revenue rose by 1.5 percentage points to 8.4% (2017: 6.9%) which is mainly attributable to an improved GP margin during the year.

Income tax expenses for the Group rose by 75.1% to RMB237,966,000 for the year (2017: RMB135,866,000) which was in line with the increase in profits before taxation while the effective tax rate for the year fell to 23.3% (2017: 24.3%).

Prospects

Since 2018, the global economy has continued to grow, albeit at a slower pace. Volatile crude oil prices, increasing trade frictions, emergence of protectionism, rise of unilateralism combine to cast uncertainty over the global economic growth in 2019. Nevertheless, the global economy will continue to expand in 2019 according to the IMF's projection, with the growth rate expected to slow down to 3.5%.

Against this backdrop, the Chinese economy is expected to continue to be under pressure and is estimated by the IMF to achieve economic growth of 6.2% in 2019. The Chinese economy is expected to expand in stability without any sudden loss of steam nor downturn.

We believe the Company will have tremendous growth opportunities in the clean energy, chemical and environmental and liquid food sectors in 2019, still it will also be a challenging year. Pursuant to the special mandate granted at the Extraordinary General Meeting, the Company adopted its first ever restricted share award scheme in 2018, providing a significant boost to the unity of its core management which should effectively motivate them to seize opportunities in the market and deliver outstanding results.

Clean Energy Segment

China's natural gas demand recorded a rapid growth in 2018, following strong momentum in the two previous years. During the year, China overtook Japan to become the world's single largest natural gas importing nation. The majority of the increment in imports was in the form of LNG imports.

In comparison with 2017, there was no large-scale gas undersupply nor significant hikes in natural gas prices in China during the year. Natural gas demand and supply was generally tight on a nationwide basis, while the bottleneck in seasonal demand and supply was somewhat alleviated. Natural gas demand was characterised by "stable demand in low seasons and excessively high demand in peak seasons", thanks to stronger joint efforts among enterprises to ensure supply and better coordination among different authorities. During the year, natural gas was shipped from Hainan to Shandong and Liaoning using LNG marine tank containers for the first time. All of the 130 LNG tank containers used in this "South-to-North Gas Transportation" were developed and manufactured by the Company.

Security in supply and relative stability in prices are hallmarks of a maturing natural gas industry in China. In the long run, this will benefit applications relating to downstream sector, such as those on-vehicle LNG equipments and offshore LNG applications. In order to ensure sustainable development for China's natural gas industry, shortage in domestic gas peak-shaving storage capacity should be tackled by stepping up infrastructure construction and driving the development of a natural gas "production – supply – storage – sales" system. The Company is committed to the provision of "equipment + engineering + finance" gas peak-shaving storage bundled solutions for customers and there was a notable growth in sales orders in 2018.

The coming decade will be a golden period for natural gas development in China, and the import of natural gas, in particular LNG, is expected to sustain rapid growth. Moreover, with the Sino-U.S. trade talks making progress in recent sessions, the volume of Sino-U.S. trade in energy, such as natural gas and ethane, is expected to increase, which would benefit the segment directly. Other than imports, there will also be stable increase in the domestic production of gas, especially unconventional natural gas. The segment will leverage its capability in equipment and engineering integration to explore business opportunities arising from unconventional natural gas key equipment and total solutions.

In close tandem with market trends, this segment will pursue strategies such as the optimisation of operation, capacity integration and business synergy, as it continues to reinforce and expand its general capabilities in key equipment manufacturing, engineering services and solutions for natural gas storage, transportation and other applications, in a bid to develop businesses along the entire industry chain, especially expansion in offshore LNG applications (such as small- and-medium-sized liquified gas carriers, LNG marine fuel tanks). At the same time, this segment will vigorously develop solutions for the transportation of clean energy and fuel comprising mainly natural gas, energy fuel, city gas peak-shaving storage and LNG intermodal transportation, as well as actively explore diversification to other businesses in the clean energy business chain, in order to secure sustainable and stable development.

Chemical and Environmental Segment

As an upgrade product of the traditional container, the tank container is primarily used for the transportation and storage of specialised goods, such as hazardous chemicals. It has strong leakproof qualities and can be reused for multiple times in a relatively long life cycle for intermodal transportation (i.e. marine, road and rail transportation). The tank container has the merits of being safe, cost-effective, eco-friendly and efficient, and has been widely used in Europe and America for many years. The rapid development of the chemical sector in emerging markets, such as China, Southeast Asia, India and Russia, has directly driven their demand for tank containers.

The Company is the world's only company with capabilities in the design, manufacture and sales of a full range of tank containers, including standard liquid tank containers, various types of special liquid tank containers, gas tank containers, powder tank containers and cryogenic tank containers. Branded under "CIMC Tank", our tank container, has maintained the top position in the global market for 15 years in a row. With the further promotion of tank containers as a smarter green logistics model in the global chemical logistics industry, this segment is expected to report stable growth in the coming years. The segment will remain committed to the provision of chemical logistics solutions and one-stop services for customers, with a view to further cementing its leading position in the global market. Meanwhile, we will develop abilities to provide customers with after-sales services for tank containers, so as to build a tank container-based new model for the internet-of-things (IOT) to help customers strengthen digitalisation and improve efficiency.

Supported by national policies on environmental protection, this segment is developing capabilities for the manufacturing and systems integration of eco-friendly equipment and actively exploring business opportunities in environmental management based on China's requirements for solid and hazardous waste treatment. Therefore, we are looking forward to the segment's thriving development in the future.

Liquid Food Segment

Processing equipment for liquid food together with the stainless-steel tank business are considered key competences of the liquid food segment. The group is well recognised in various markets like juice, beer, distilling and dairy for their product portfolio and quality. Through the brands “Ziemann Holvrieka” and “Briggs”, the Group possesses competitive strengths which are derived from its world-leading capabilities in design, manufacture and project engineering for the liquid food industry.

With the integration of Briggs into the Group, we secured a stronger position in the distilling market and our ambition is to further develop the EPC project offerings by focusing on the requirements of the customers and our competences for process equipment and turnkey projects, also in the distilling market. After being successful in North and South Americas, core focus for Briggs will be on entering the Asian market.

On 5 March 2019, the segment completed the purchase of selected assets of DME Group’s from its receiver. Based in Charlottetown (Canada), DME Group was a leading designer and manufacturer of equipment for the craft brewing sector in North America. This purchase will contribute to the segment’s position in the North American market.

Future growth of the segment will come via development of the current businesses in existing markets, the introduction of new products and services, and via further diversification by using existing equipment and services into new markets. To our customers, the segment would continue to supply the most reliable, economical and innovative solutions and products, in order to enable them an efficient, cost effective, sustainable production with the highest quality and safety standards.

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

At 31 December 2018, the cash and cash equivalents of the Group amounted to RMB2,930,271,000 (2017: RMB2,259,890,000). A portion of the Group’s bank deposits totalling RMB364,971,000 (2017: RMB265,592,000), 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 as they fall due and continued to take a prudent approach in future development and capital expenditure. The Group has been cautiously managing its financial resources and constantly reviews and maintains an optimal gearing level.

At 31 December 2018, the Group’s bank loans and overdrafts amounted to RMB1,164,107,000 (2017: RMB1,390,308,000) and other than a three-year syndicated bank loan, the remaining are repayable within one year. Apart from the USD-denominated syndicated bank loan and the HKD-denominated loans that bear interest at floating rates, the overall bank loans bear interest at rates from 3.35% to 4.69% per annum. At 31 December 2018, the Group did not have any secured bank loan (2017: Nil) nor any bank loan that was guaranteed by the Company’s subsidiaries (2017: Nil). As at 31 December 2018, loans from related parties amounted to RMB35,000,000 (2017: RMB105,000,000), which are unsecured, interest bearing from 1.75% to 4.44% (2017: 1.75% to 4.60%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2017: zero times) as the Group retained a net cash balance of RMB1,731,164,000 (2017: RMB764,582,000). The rise in net cash balance was mainly attributable to an increase in the amount of advance payments received from customers. The Group's interest coverage was 16.1 times for the year (2017: 9.7 times), which represents an improvement that was mainly due to a higher operating profit and a lower interest expense comparing with the previous year. Certainly, the Group's profit from operation and strong operating cash flow demonstrate that the Group is fully capable of meeting its interest expense commitments.

During 2018, net cash generated from operating activities amounted to RMB1,589,896,000 (2017: RMB851,647,000). The Group drew bank loans and loans from related parties totaling RMB1,480,216,000 (2017: RMB795,865,000) and repaid RMB1,820,139,000 (2017: RMB1,697,225,000). In addition, cash proceeds from the issuance of ordinary shares on exercise of share options and on the adoption of the restricted share award scheme during 2018 were RMB21,446,000 (2017: RMB15,466,000) and RMB142,863,000 (2017: Nil) respectively. In 2018, a final dividend of approximately RMB131,486,000 (2017: No dividend was paid for the financial year of 2016) was paid for the financial year of 2017.

Assets and liabilities

At 31 December 2018, total assets of the Group amounted to RMB15,853,354,000 (2017: RMB14,176,233,000) while total liabilities were RMB9,307,560,000 (2017: RMB8,306,454,000). The net asset value rose by 11.5% to RMB6,545,794,000 (2017: RMB5,869,779,000) which was mainly attributable to net profit RMB782,450,000, and capital contribution from both exercise of option of RMB21,446,000 and the restricted share award scheme of RMB142,863,000, which were partially offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB38,689,000 for the year. As a result, the net asset value per share increased from RMB3.022 at 31 December 2017 to RMB3.278 at 31 December 2018.

Contingencies

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 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 SOE from SOEG in 2015. EIHL has filed an objection to jurisdiction and the time for first instance has not yet been determined. After considering the current status of the litigation and opinion from independent legal counsels, the Directors of the Company were of the view that no provision was necessary for the litigation claims as at 31 December 2018.

Future plans for source of funding and capital commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to some extent by loans from banks and related parties. At the same time, the Group will continuously take particular caution on the inventory level and credit policy, as well as further strengthening its 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 31 December 2018, the Group had contracted but not provided for capital commitments of RMB93,485,000 (2017: RMB52,649,000). As of 31 December 2018, the Group did not have any authorised but not contracted for capital commitments (2017: Nil).

Foreign exchange exposure

The Group is exposed to foreign currency risk primarily through trade transactions that are denominated in a currency other than its functional currency. The currencies which expose the Group to this risk 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 enters into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

FUTURE PLANS AND STRATEGIES

Clean Energy Segment

The strong growth in China's natural gas consumption has been trying times for the supply of natural gas. Driven by coal-to-gas conversion and other related policies, the growth in demand from certain regions has outpaced the speed of infrastructure construction. Therefore, the supply during peak seasons is expected to remain tight. For the longer term, it is imperative that diverse sources are developed for stable and sufficient gas supply and facilities such as gas transmission pipes, gas storage terminals and LNG storage tanks are built at a faster pace to ease the bottleneck.

The segment's strategy of "domestic foothold in China, overseas development and full business chain coverage" for its energy business represents a perfect response to the abovementioned situation. We will continue to investigate means to connect the upstream, midstream and downstream segments of the natural gas business chain with a special emphasis on building full product portfolio to cover the whole LNG and LPG business chains, while continuing to finetune the high-pressure business (hydrogen, electron gas and CNG) with a view to seizing new opportunities in the development of unconventional natural gas processing equipment and applications and offshore LNG applications.

Meanwhile, to address the various important opportunities arising from the accelerating global trend of low-carbon economic development and clean energy applications, the segment will further consolidate its overseas energy operations and increase the commitment of resources to the clean energy sector, especially in relation to new business chains such as nuclear energy application, hydrogen energy application, as well as other clean energy storage and distribution. We will also consider cooperation with leading players in the relevant sectors to secure new opportunities for growth.

Chemical and Environmental Segment

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

The Group's downstream customers include companies in the clean energy, chemical and environmental and liquid food sectors, the manufacturing processes of which typically involve the generation of massive amounts of acid waste, dust and slag. Hence, downstream customers have a strong demand for specialised recycling and treatment services. Riding on relevant national policies, the segment has been actively investigating the possibility of developing an environmental business in China with a strong focus on the R&D and manufacturing of eco-friendly equipment. This will be a strategic development for the longer term based on our inherent equipment manufacturing capability, a broad and large market demand, and the potential growth of the environmental industry.

Liquid Food Segment

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. 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 endeavours to proactively develop businesses for other liquid food industries apart from beer, such as juice storage, transportation and dairy product processing.

The segment constantly reviews and develops its strategy, to gain opportunities in which it can excel and enhance its business position. The Group will focus on expanding globally and further strengthen the beer equipment competence, leveraging its core technologies and strengths in EPC contracting.

THE 2018 FINAL DIVIDEND

Having taken into account the Group's continued business development and efforts to increase return on equity, the Board proposes to maintain a stable dividend payout ratio for the year 2018.

The Board recommended a final dividend in respect of 2018 of HKD0.14 (2017: HKD0.08) (the "**2018 Final Dividend**") per ordinary share payable in cash on or about 24 June 2019 to shareholders whose names appear on the register of members of the Company on 31 May 2019 (the "**Record Date**"), subject to shareholders' approval in the forthcoming annual general meeting ("**AGM**") on 20 May 2019.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2018 Final Dividend, the register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019 (both days inclusive). In order to qualify for the 2018 Final Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2019.

Moreover, for determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from Tuesday, 14 May 2019 to Monday, 20 May 2019 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 10 May 2019.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2018 Final Dividend

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" (the "**Enterprise Income Tax Law**"), "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which the Company is regarded as a Chinese Resident Enterprise, effective from the year 2013.

Pursuant to the Enterprise Income Tax Law and the "Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China", the Company is required to withhold and pay 10% enterprise income tax when it distributes the 2013 final dividend and dividends in subsequent years to its non-resident enterprise shareholders.

In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2018 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2018 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Friday, 24 May, 2019.

With respect to individual investors of Shanghai-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2018 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under the Notice Regarding Tax Policies Related to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and Notice Regarding Tax Policies Related to the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold and pay the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding and payment of enterprise income tax.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2018, the Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's corporate governance report is set out in the soon published Annual Report 2018. Details of each of the audit committee, the remuneration committee and the nomination committee of the Company are also given in the same report.

The audit committee has reviewed and discussed with management the annual results and the audited financial statements for the year ended 31 December 2018.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

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

Hong Kong, 21 March 2019

The Annual Report 2018 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.