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 2019, The 2019 Final Dividend, Closure of Register of Members and Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2019 Final Dividend

FINANCIAL HIGHLIGHTS

	2019	2018	
	RMB'000	*RMB'000*	
Revenue	**13,743,019**	13,051,651	5.3%
Profit attributable to shareholders	**911,007**	785,502	16.0%
Basic earnings per share	**RMB0.464**	RMB0.403	15.1%

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 2019 together with the comparative figures for the year 2018.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	**Year ended 31 December** **2019** *RMB'000*	2018 *RMB'000*
Revenue	3 & 8	**13,743,019**	13,051,651
Cost of sales		**(11,391,725)**	(10,825,903)
Gross profit		**2,351,294**	2,225,748
Change in fair value of derivative financial instruments		**4,100**	(2,064)
Other revenue	4	**243,845**	255,663
Other income, net	4	**82,369**	90,195
Net impairment loss on financial assets	5(d)	**(71,569)**	(10,678)
Selling expenses		**(359,902)**	(372,379)
Administrative expenses		**(1,111,564)**	(1,088,398)
Profit from operations		**1,138,573**	1,098,087
Finance costs	5(a)	**(62,132)**	(73,577)
Share of post-tax profit/(loss) of associates		**9,371**	(4,094)
Profit before taxation	5	**1,085,812**	1,020,416
Income tax expenses	6	**(184,407)**	(237,966)
Profit for the year		**901,405**	782,450
Attributable to:			
Equity shareholders of the Company		**911,007**	785,502
Non-controlling interests		**(9,602)**	(3,052)
Profit for the year		**901,405**	782,450
Earnings per share			
– Basic	7	**RMB 0.464**	RMB0.403
– Diluted		**RMB 0.459**	RMB0.398

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**901,405**	782,450
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(17,272)**	(38,689)
Share of other comprehensive income of associates	**48**	–
Total comprehensive income for the year	**884,181**	743,761
Attributable to:		
Equity shareholders of the Company	**893,783**	746,813
Non-controlling interests	**(9,602)**	(3,052)
Total comprehensive income for the year	**884,181**	743,761

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**2,966,655**	2,615,084
Construction in progress		**425,145**	148,938
Right-of-use assets		**33,718**	–
Lease prepayments		**578,151**	577,541
Intangible assets		**200,152**	204,976
Investments in associates and equity investments		**161,430**	131,400
Prepayment for acquisition of equity interests		**50,000**	50,000
Goodwill		**251,962**	256,849
Deferred tax assets		**113,963**	107,333
		4,781,176	4,092,121
Current assets			
Derivative financial instruments		**3,210**	1,749
Inventories		**3,676,319**	3,864,951
Contract assets		**919,042**	787,547
Trade and bills receivables	9	**2,715,828**	3,011,733
Deposits, other receivables and prepayments		**884,109**	616,760
Amounts due from related parties		**128,568**	183,251
Restricted bank deposits		**257,029**	364,971
Cash and cash equivalents		**2,534,752**	2,930,271
		11,118,857	11,761,233
Current liabilities			
Derivative financial instruments		**876**	3,515
Bank loans		**263,955**	477,787
Lease liabilities		**8,496**	–
Loans from related parties		**186,402**	35,000
Other borrowings		**21,586**	8,305
Trade and bills payables	10	**2,420,392**	2,711,308
Contract liabilities		**2,870,689**	2,950,127
Other payables and accrued expenses		**1,375,569**	1,525,315
Amounts due to related parties		**84,200**	151,699
Warranty provision		**113,915**	199,902
Income tax payable		**51,226**	26,196
Employee benefit liabilities		**511**	480
		7,397,817	8,089,634

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net current assets	**3,721,040**	3,671,599
Total assets less current liabilities	**8,502,216**	7,763,720
Non-current liabilities		
Bank loans	**544,144**	686,320
Warranty provision	**67,880**	86,311
Deferred tax liabilities	**199,639**	169,235
Deferred income	**235,858**	248,646
Employee benefit liabilities	**4,603**	4,321
Other borrowings	**38,455**	23,093
Lease liabilities	**27,126**	–
	1,117,705	1,217,926
NET ASSETS	**7,384,511**	6,545,794
CAPITAL AND RESERVES		
Share capital	**18,371**	18,253
Reserves	**7,117,737**	6,349,454
Equity attributable to equity shareholders of the Company	**7,136,108**	6,367,707
Non-controlling interests	**248,403**	178,087
TOTAL EQUITY	**7,384,511**	6,545,794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Shares held for share award scheme	Contributed surplus	Capital reserve	Exchange reserve	General reserve fund	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018 (restated)	17,793	168,902	–	1,127,571	177,699	(320,797)	483,554	4,054,255	5,708,977	145,140	5,854,117
Profit for the 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 Nantong Yongxin Logistics Co., Ltd. under common control combination	–	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the company, recognised directly in equity	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

	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 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**
Profit for the year	–	–	–	–	–	–	–	911,007	911,007	(9,602)	901,405
Other comprehensive income											
Share of other comprehensive income of assocates	–	–	–	–	–	–	–	48	48	–	48
Currency translation differences	–	–	–	–	–	(17,272)	–	–	(17,272)	–	(17,272)
Total comprehensive income for the period	–	–	–	–	–	(17,272)	–	911,055	893,783	(9,602)	884,181
Issuance of shares in connection with exercise of share options	118	69,374	–	–	(23,572)	–	–	–	45,920	–	45,920
Shares held for share award scheme – vesting of shares	–	35,768	43,164	–	(35,768)	–	–	–	43,164	–	43,164
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	40,500	40,500
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	79,307	79,307
Equity-settled share-based transactions	–	–	–	–	36,669	–	–	–	36,669	–	36,669
Change in ownership interests in a subsidiary without change of control	–	–	–	–	(5,026)	–	–	–	(5,026)	(37,974)	(43,000)
Transfer to general reserve	–	–	–	–	–	–	34,621	(34,621)	–	–	–
2018 final dividend paid	–	–	–	–	–	–	–	(246,109)	(246,109)	–	(246,109)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,915)	(1,915)
Total contributions by and distributions to owners of the company, recognised directly in equity	118	105,142	43,164	–	(27,697)	–	34,621	(280,730)	(125,382)	79,918	(45,464)
At 31 December 2019	**18,371**	**446,705**	**(101,813)**	**1,124,571**	**162,982**	**(376,758)**	**553,732**	**5,308,318**	**7,136,108**	**248,403**	**7,384,511**

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 2019. 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**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

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 to be published Annual Report 2019.

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 2019:

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

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. This is disclosed in note 2(c). The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2020 and have not been early adopted:

	Effective for annual periods beginning on or after
Definition of Material – Amendments to HKAS 1 and HKAS 8	1 January 2020
Hedge accounting(amendments) – HKAS 39, HKFRS 7 and HKFRS 9	1 January 2020
Definition of a Business – Amendments to HKFRS 3	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17 Insurance Contracts	1 January 2021
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not 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 16 Leases on the Group's financial statements.

As indicated in note 2(a) above, the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(ii) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**59,797**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**56,361**
Short-term leases and low-value leases recognised on a straight-line basis as expense	**(41,712)**
Lease liability recognised as at 1 January 2019	**14,649**
Of which are:	
Current lease liabilities	**4,734**
Non-current lease liabilities	**9,915**
	14,649

(iii) Measurement of right-of-use assets

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

(iv) Adjustments recognised in the balance sheet on 1 January 2019

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

- right-of-use assets – increase by RMB16,409,000
- deposits, other receivables and prepayments – decrease by RMB1,760,000
- lease liabilities – increase by RMB14,649,000

There was no significant impact on the Group's net profit after tax for the year ended 31 December 2019 as a result of adoption of HKFRS 16.

3 REVENUE

The Group is principally engaged in the design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the clean energy, chemical and environmental and liquid food industries.

Revenue represents: (i) the sales value of goods sold after allowances for returns of goods, excluding value-added 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:

	2019	2018
	RMB'000	*RMB'000*
Sales of goods	**9,222,821**	9,321,439
Revenue from project engineering contracts	**4,520,198**	3,730,212
	13,743,019	13,051,651

4 OTHER REVENUE AND OTHER INCOME, NET

		2019	2018
		RMB'000	*RMB'000*
Other revenue			
Government grants	*(i)*	**64,171**	47,519
Other operating revenue	*(ii)*	**167,929**	190,915
Interest income from bank deposits		**11,745**	17,229
		243,845	255,663

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

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

		2019	2018
		RMB'000	*RMB'000*
Other income, net			
Write-back of payables and advances from customers	*(i)*	**84,699**	60,189
Foreign exchange gain		**4,302**	38,990
Gain on derecognition of contingent consideration payable from business combination		**48,000**	–
Write-off on intangible assets from business combination		**(48,460)**	–
Net loss on disposal of property, plant and equipment and investment property		**(5,371)**	(1,143)
Other net loss		**(801)**	(7,841)
		82,369	90,195

(i) In prior years, the Group has provided customs payable on certain bonded materials that were not expected to be exported. During the year, the Group exported certain products with the above mentioned bonded materials and subsequently RMB24,029,000 of corresponding customs payable was written back as the Group was no longer obliged to pay the customs on those bonded materials. The remaining RMB60,670,000 represented the write-back of long aged payables and advances from customers.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank loans and other borrowings	**51,824**	67,676
Less: interest capitalised	**(2,795)**	–
Bank charges	**13,103**	5,901
	62,132	73,577

(b) Staff costs

	2019 *RMB'000*	2018 *RMB'000*
Salaries, wages and allowances	**1,594,658**	1,593,282
Contributions to retirement schemes	**79,733**	70,877
Equity-settled share-based payment expenses for share option scheme	**–**	3,183
Equity-settled share-based payment expenses for Restricted Share Award Scheme	**36,669**	26,777
	1,711,060	1,694,119

(c) Other items

		2019 *RMB'000*	2018 *RMB'000*
Cost of inventories	*(i)*	**7,339,229**	7,263,356
Auditors' remuneration			
– Audit services		**6,765**	6,095
– Non-audit services		**1,287**	1,076
Depreciation of property, plant and equipment	*(i)*	**251,058**	230,089
Depreciation of right-of-use assets		**8,335**	–
Amortisation of intangible assets		**33,525**	34,950
Amortisation of lease prepayments		**14,944**	14,427
Impairment of goodwill		**15,000**	17,087
Write-down of inventories		**12,635**	65,473
Reversal of write-down of inventories		**(17,510)**	(6,622)
Research and development costs		**310,595**	221,049
Operating lease charges for property rental		**25,421**	55,611
Provision for product warranties		**64,403**	88,172
Reversal of provision for product warranties		**(128,953)**	(28,682)

(i) Cost of inventories includes RMB594,320,000 (2018: RMB578,845,000) 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

	2019	2018
	RMB'000	*RMB'000*
Impairment provision for trade receivables	**96,467**	35,039
Reversal of impairment provision for trade receivables	**(32,159)**	(24,361)
Impairment provision for amounts due from related parties	**7,356**	–
Reversal of impairment provision for other receivables	**(108)**	–
Impairment provision for other receivables	**13**	–
	71,569	10,678

6 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**187,138**	235,581
Over-provision in respect of prior years	**(16,301)**	(2,329)
	170,837	233,252
Deferred tax		
Origination and reversal of temporary differences	**13,570**	4,714
	184,407	237,966

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:

		2019	2018
		RMB'000	*RMB'000*
Profit before taxation		**1,085,812**	1,020,416
Notional tax on profit before taxation, calculated at the applicable rates		**295,257**	306,815
Effect of tax concessions	*(i)*	**(84,067)**	(78,067)
Tax effect of super deduction		**(34,002)**	(8,470)
Tax effect of non-deductible expenses		**5,179**	4,927
Tax effect of unused tax losses not recognised		**25,838**	14,153
Over-provision in prior years		**(16,301)**	(2,329)
Utilisation of tax losses which no deferred tax assets were recognised before		**(7,497)**	(953)
Other		**–**	1,890
Income tax expenses		**184,407**	237,966

(i) The notional corporate income tax rate in PRC is 25%. Certain companies of the Group in the PRC, were qualified as "Advanced and New Technology Enterprises" under the Tax Law. Hence, they are entitled to a preferential income tax rate of 15%.

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:

	2019	2018
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**911,007**	785,502

	2019	2018
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,964,279,967**	1,947,564,735
Effect of dilutive potential ordinary shares in respect of the Company's share option and restricted award shares	**18,937,893**	23,669,201
Weighted average number of shares for the purpose of diluted earnings per share	**1,983,217,860**	1,971,233,936

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, 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**6,814,772**	6,027,083	**3,385,706**	3,768,279	**3,076,961**	3,198,237	**13,277,439**	12,993,599
Inter-segment revenue	**1,388**	43,424	**37,904**	132,484	**–**	–	**39,292**	175,908
Reportable segment revenue	**6,816,160**	6,070,507	**3,423,610**	3,900,763	**3,076,961**	3,198,237	**13,316,731**	13,169,507
Timing of revenue recognition								
At a point in time	**5,372,923**	5,538,532	**3,423,610**	3,900,763	**–**	–	**8,796,533**	9,439,295
Over time	**1,443,237**	531,975	**–**	–	**3,076,961**	3,198,237	**4,520,198**	3,730,212
Reportable segment profit (adjusted profit from operations)	**517,348**	350,590	**472,919**	537,152	**309,901**	514,245	**1,300,168**	1,401,987
Interest income from bank deposits	**3,608**	8,804	**1,282**	921	**1,245**	2,020	**6,135**	11,745
Interest expense	**(1,777)**	(3,475)	**(2,680)**	(12,050)	**–**	(96)	**(4,457)**	(15,621)
Depreciation and amortisation for the year	**(199,207)**	(195,512)	**(31,084)**	(27,417)	**(46,872)**	(55,530)	**(277,163)**	(278,459)
Reportable segment assets	**9,485,979**	9,871,736	**1,953,214**	2,375,174	**2,652,152**	3,087,411	**14,091,345**	15,334,321
Additions to non-current assets during the year	**428,845**	242,664	**92,427**	36,301	**52,860**	75,066	**574,132**	354,031
Reportable segment liabilities	**4,908,079**	4,702,290	**707,496**	1,299,790	**1,612,282**	2,250,282	**7,227,857**	8,252,362

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**13,316,731**	13,169,507
Elimination of inter-segment revenue	**(39,292)**	(175,908)
Unallocated revenue	**465,580**	58,052
Consolidated revenue	**13,743,019**	13,051,651

	2019	2018
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**1,300,168**	1,401,987
Elimination of inter-segment profit	**(3,948)**	(87,727)
Reportable segment profit derived from Group's external customers	**1,296,220**	1,314,260
Finance costs	**(62,132)**	(73,577)
Share of post-tax profit/(loss) of associates	**9,371**	(4,094)
Unallocated operating income and expenses	**(157,647)**	(216,173)
Consolidated profit before taxation	**1,085,812**	1,020,416

	2019	2018
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**14,091,345**	15,334,321
Elimination of inter-segment receivables	**(207,087)**	(213,783)
	13,884,258	15,120,538
Deferred tax assets	**113,963**	107,333
Unallocated assets	**1,901,812**	625,483
Consolidated total assets	**15,900,033**	15,853,354

	2019 *RMB'000*	2018 *RMB'000*
Liabilities		
Reportable segment liabilities	**7,227,857**	8,252,362
Elimination of inter-segment payables	**(207,087)**	(213,783)
	7,020,770	8,038,579
Income tax payable	**51,226**	26,196
Deferred tax liabilities	**199,639**	169,235
Unallocated liabilities	**1,243,887**	1,073,550
Consolidated total liabilities	**8,515,522**	9,307,560

(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, right-of-use assets, 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, right-of-use assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2019 *RMB'000*	2018 *RMB'000*	**2019** *RMB'000*	2018 *RMB'000*
PRC (place of domicile)	**5,678,099**	6,178,742	**4,084,397**	3,406,231
United States	**903,989**	1,601,365	**171**	49
European countries	**2,927,512**	1,708,032	**421,008**	446,552
Asian countries (other than PRC)	**2,246,328**	1,453,179	**207**	557
Other American countries	**1,742,857**	1,725,723	**–**	–
Other countries	**244,234**	384,610	**–**	–
	8,064,920	6,872,909	**421,386**	447,158
	13,743,019	13,051,651	**4,505,783**	3,853,389

For the year ended 31 December 2019, there was no single external customer that accounted for 10% or more of the Group's total revenue (2018: none).

9 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade debtors and bills receivables	**3,031,944**	3,279,222
Less: allowance for doubtful debts	**(316,116)**	(267,489)
	2,715,828	3,011,733

(a) 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:

	2019	2018
	RMB'000	*RMB'000*
Current	**1,933,485**	1,888,773
Less than 3 months past due	**372,202**	665,305
More than 3 months but less than 12 months past due	**254,569**	176,244
More than 1 year but less than 2 years past due	**91,857**	134,326
More than 2 years but less than 3 years past due	**23,327**	51,898
More than 3 years but less than 5 years past due	**40,388**	95,187
Amounts past due	**782,343**	1,122,960
	2,715,828	3,011,733

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.

10 TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade creditors	**2,155,947**	2,233,046
Bills payables	**264,445**	478,262
	2,420,392	2,711,308

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**2,020,582**	2,210,205
3 months to 12 months	**217,230**	305,635
Over 12 months	**182,580**	195,468
	2,420,392	2,711,308

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

11 DIVIDENDS

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

A final dividend in respect of the year ended 31 December 2019 of HKD0.20 (equivalent to approximately RMB0.18) per share has been proposed by the Directors. The proposed final dividend in respect of 2019 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, sales and operation of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used for the clean energy, chemical and environmental, and liquid food industries.

Product portfolio and brands

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

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

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

Chemical and environmental: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied chemicals, gaseous chemicals and powder products; and the provision of maintenance service and value-added service for tank containers. This segment is also engaged in the provision of key equipment R&D and manufacturing, and professional consulting service in relation to environmental protection.

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

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

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

OPERATIONAL PERFORMANCE

Revenue

During the year, the clean energy segment's revenue rose by 13.1% to RMB6,814,772,000 (2018: RMB6,027,083,000). This mainly due to the increase in the demand for storage equipment as well as downstream application equipment in 2019. The spherical gas storage tanks and the on-vehicle LNG fuel tanks were the main contributors to current year's revenue growth for storage equipment and downstream application equipment respectively. The segment remains the top grossing segment and accounted for 49.6% of the Group's total revenue (2018: 46.2%).

The chemical and environmental segment's revenue fell by 10.2% to RMB3,385,706,000 (2018: RMB3,768,279,000) mainly due to lower prosperity of chemical industry resulted from slowing economic growth throughout the world and Sino-U.S. trade friction. In addition, the rapid sales growth of global tank container over the past few years has influenced the sales in 2019. Accordingly, the sales volume of tank containers, the core product of the segment, fell in 2019. After the sales adjustment in 2019, we are optimistic in the generally growing prospects for tank container industry in mid to long term. The segment made up 24.6 % of the Group's total revenue (2018: 28.9%).

The liquid food segment's revenue fell slightly by 3.8% to RMB3,076,961,000 during the year (2018: RMB3,198,237,000) because that a couple of large-scale breweries in Mexico for a client have been completed during 2018 and early 2019, while the newly signed projects are scheduled to complete by the year 2020 and beyond. However, good results have been seen from the successful integration of the newly acquired DME business, which partially offset the decline in segment's revenue. The segment accounted for 22.4% of the Group's total revenue (2018: 24.5%).

The unallocated revenue rose to RMB465,580,000 (2018: RMB58,052,000) mainly contributed by new business ventures from acquisition and from the Group's own initiative. The unallocated revenue accounted for 3.4% of the Group's total revenue (2018: 0.4%).

Gross profit margin and profitability

The clean energy segment's gross profit margin ("GP margin") rose to 17.3% (2018: 14.6%). The rise was mainly resulted from economies of scale and change of product mix. As for the chemical and environmental segment, its GP margin rose slightly to 16.6% (2018:16.2%). This was attributable to the pursue of lean manufacturing, stringent cost control measures and product differentiation competitive strategy adopted during the year. The liquid food segment's GP margin fell to 19.0% during the year (2018: 22.5%) due to the completion of a couple of large-scale brewery projects for a client during 2018 and early 2019, while the newly signed projects were recorded in the accounts in accordance with the normalised budgeted GP margin. Despite a slight fall in the liquid food segment's GP margin, the improvement in both the clean energy and the chemical and environmental segments' GP margins caused the Group's overall GP margin to remain stable at 17.1% (2018: 17.1%).

Profit from operations rose by 3.7% from RMB1,098,087,000 in 2018 to RMB1,138,573,000 in 2019. Profit from operations rose at a lower rate than revenue growth mainly due to impairment loss on financial assets increasing at a relatively faster rate.

Tax expenses for the Group fell by 22.5% to RMB184,407,000 in 2019 (2018: RMB237,966,000), despite an increase in the profits before taxation. This fall was mainly attributable to the reversal of over-provision of tax expense in previous year and utilisation of deductible tax losses which caused the Group's effective tax rate to decline from 23.3% in 2018 to 17.0% in the current year.

Prospects

In 2019, global energy prices experienced considerable volatility under the impact of Sino-U.S. trade talks, rising geopolitical tensions, Brexit, among others. The International Monetary Fund (IMF) has expected to benefit from the monetary easing policy adopted by major economies, global economy will begin to recover in 2020.

Amidst complicated international developments, the Chinese economy is expected to sustain a positive trend of general stability underpinned by moderate growth. Most Chinese enterprises were forced to delay the post-holiday resumption of their operations in early 2020 due to the COVID-19 outbreak. To counter the epidemic, the Company has also postponed its resumption of operations in active response to the government's instructions to ensure staff safety. As the epidemic comes under control in China, production and daily lives across the country are gradually returning to normal. We are confident that household consumption will gradually recover, China's subsequent economic growth has sufficient certainty.

While 2020 will be a year full of challenges, we believe that there are still room for more growth of the Company in the clean energy, chemical and environmental, and liquid food industries. The Group will remain focused on its principal businesses, while at the same time seizing new opportunities for development in a prudent manner and increasing its effort in overseas market expansion. Through product upgrades and business model upgrades, we intend to seize every opportunity in the market to deliver excellent results.

Clean Energy

According to BP Energy Outlook, natural gas remains the fastest-growing energy among all energy sources. The growth in global natural gas consumption slowed down affected by the slowdown growth of global economy in 2019. Market supply should be abundant given the ongoing increase in global production. In particular, LNG trade sustained rapid growth, leading to further globalisation of LNG market.

In 2019, natural gas consumption in China continued to grow at a stable pace, year-on-year growth was 9.4%. The demand from city gas users and industrial gas users was the primary driving force behind the natural gas consumption growth in China. Despite dampened growth in the demand for natural gas in China in 2019 owing to factors such as the slowdown in domestic economic growth, the adoption of a more rational approach for the "coal-to-gas conversion" policy and the promotion of clean coal in northern regions, among others, the drive for the eco-friendly transformation of China's energy sector remained robust. As a high-quality, clean and efficient form of low-carbon energy, natural gas represents the most important and realistic alternative that complements other forms of renewable energy. In order to facilitate the substitution of major energy forms and expedite the development of a modern, low-carbon energy regime which is clean, safe and efficient, it is imperative that China increases the scale of natural gas utilisation and the weighting of clean energy. In accordance with the "13th Five-Year Plans for the Development of Energy", China is striving to increase the weighting of natural gas to account for 10% in one-off energy consumption by 2020, which benchmark percentage will be further raised in the upcoming "14th Five-Year Plan".

The clean energy segment will continue to 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 service and the provision of total solution for natural gas transportation, storage and terminal application, in a bid to develop end-to-end business presence along the natural gas industry chain. At the same time, the segment will be engaged in developing solutions for natural gas storage and transportation, LNG traffic fuel applications, city peak-shaving facilities and LNG intermodal transportation, and offshore LNG application while actively exploring opportunities to diversify to other segments in the clean energy business chain, in order to secure sustainable and stable development.

Chemical and Environmental

As a more advanced spin-off 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 leak-proof 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. As a green logistics equipment with greater intelligent features, we believe tank container would be further promoted in global chemical logistics industry. In the long run, the tank container market will remain vibrant.

We are the only company in the world 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. According to International Tank Container Organisation (ITCO), "CIMC Tank" has been the best-selling tank container in the global market for 16 years consecutively.

The chemical and environmental segment will remain committed to the provision of chemical logistics solution and one-stop service for customers, as it seeks to further cement its leading position in the global market. Meanwhile, we will enhance our ability to provide customers with after-sales service for tank containers, by building up a revolutional Internet of Things technology based tank container network to help customers strengthen digitalisation and improve efficiency.

With the support of national policies, the segment addresses China's growing demand for solid waste and hazardous waste treatment, develops capabilities for key equipment manufacturing and building up systems integration abilities for environmental protection purpose. The segment is actively exploring business opportunities in environment protection sector and the future development is expected.

Liquid Food

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", "Briggs" and "DME", 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 in the liquid food industry. After successes 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. Based in Charlottetown (Canada), DME is 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 and in the worldwide craft brewing sector.

Future growth of the segment will come via development of the current business 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 REVIEW

Liquidity and financial resources

At 31 December 2019, the cash and cash equivalents of the Group amounted to RMB2,534,752,000 (2018: RMB2,930,271,000). A portion of the Group's bank deposits totalling RMB257,029,000 (2018: RMB364,971,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans 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 2019, the Group's bank loans and overdrafts amounted to RMB808,099,000 (2018: RMB1,164,107,000) and other than a three-year syndicated bank loan and another three-year term loan, the remaining loans are repayable within one year. Apart from the USD-denominated syndicated bank loan, the three-year USD-denominated term loan and the HKD-denominated and USD-denominated revolving loans that bear interest at floating rates, the overall bank loans bear interest at rates from 3.68% to 7.69% per annum. At 31 December 2019, the Group did not have any secured bank loan (2018: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2018: nil). As at 31 December 2019, loans from related parties amounted to RMB186,402,000 (2018: RMB35,000,000), which are unsecured, interest bearing from 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and repayable within one year.

During 2019, net cash generated from operating activities amounted to RMB861,545,000 (2018: RMB1,589,896,000). The Group drew bank loans and loans from related parties totaling RMB997,268,000 (2018: RMB1,480,216,000) and repaid RMB1,470,208,000 (2018: RMB1,820,139,000). In addition, cash proceeds from the issuance of ordinary shares on exercise of share options in 2019 were RMB45,920,000 (2018: RMB21,446,000). In 2019, a final dividend of approximately RMB246,109,000 (2018: RMB131,486,000 was paid for the financial year of 2017) was paid for the financial year of 2018.

Assets and liabilities

At 31 December 2019, total assets of the Group amounted to RMB15,900,033,000 (2018: RMB15,853,354,000) while total liabilities were RMB8,515,522,000 (2018: RMB9,307,560,000). The net asset value rose by 12.8% to RMB7,384,511,000 (2018: RMB6,545,794,000) which was mainly attributable to net profit RMB901,405,000 and capital contribution from exercise of option of RMB45,920,000, which were partially offset by dividend pay-out of RMB246,109,000 for the year. As a result, the net asset value per share increased from RMB3.278 at 31 December 2018 to RMB3.673 at 31 December 2019.

Contingent liabilities

CIMC Enric Investment Holdings (Shenzhen) Limited ("**EIHL**") received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court in December 2018, where SOEG PTE. LTD. ("**SOEG**") claims, amongst other things, that EIHL should pay for the remaining balance of the consideration of RMB153,456,000 in relation to the acquisition of equity interest in Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. from SOEG in 2015. The litigation has entered into judicial proceedings in September 2019. 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 2019.

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 2019, the Group had contracted but not provided for capital commitments of RMB97,062,000 (2018: RMB93,485,000). As of 31 December 2019, the Group did not have any authorised but not contracted for capital commitments.

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.

Capital expenditure

In 2019, the Group invested RMB628,590,000 (2018: RMB561,598,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The clean energy segment, chemical and environmental segment and liquid food segment invested RMB391,044,000, RMB71,497,000 and RMB52,015,000 respectively (2018: RMB240,320,000, RMB62,465,000 and RMB74,970,000 respectively) in capital expenditure during the year. In addition, the Group had capital expenditure of RMB114,034,000 (2018: RMB183,843,000) that was not specific to any of the three business segments.

Employees and Remuneration Policies

At 31 December 2019, the total number of employees of the Group was approximately 9,900 (2018: approximately 9,900). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB1,711,060,000 (2018: RMB1,694,119,000).

As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications, and experience of individual employee and prevailing market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong, contributions to government pension schemes to employees in Mainland China, and operation of various qualified defined benefit pension plans which are funded through payments to insurance companies for employees in Europe.

FUTURE PLANS AND STRATEGIES

Clean Energy

2020 is the last year of the "Three-Year Action Plan for Winning the Blue Sky Defense Battle", Chinese policy on environment protection is expected to continue fueling the growth in domestic demand for natural gas. Chinese government is expected to keep on optimising industrial structure and energy consumption mix, strengthening infrastructure and reducing taxes and fees. In the forecast by the Chinese National Petroleum Corporation Economics & Technology Research Institute, natural gas consumption in China is estimated to grow by 8.6% in 2020 to 330 billion cubic metres. From the perspective of consumption structure, it is expected that growth in city gas consumption will be the highest, industrial gas consumption tends to be steady, consumption by gas-fired power plants is likely to decline and consumption by chemical users is on its way to recovery.

Combining the results of global overcapacity of LNG and prediction of price fall of natural gas, natural gas is able to maintain the economical efficiency for a longer period of time as compared with that of petroleum. China has been putting greater effort on establishing production-supply-sales system, and "winter shortage" was substantially eliminated in China in 2019 with stable price and suficient supply of natural gas. The advantages of LNG in traffic sectors in terms of economical efficiency and environmental protection will remain for a relatively long period of time, especially strong demand for gas usage for vehicles and vessels will be directly favourable to market demand for LNG on-vehicle fuel tank and offshore LNG applications.

The booming of natural gas consumption in downstream sectors will reversely stimulate the growth in equipment sales and engineering services for storage and transportation sectors in midstream sectors. As Chinese government has emphasised an increase in proportion of natural gas to primary energy, a long-term virtuous cycle will be created for the development of natural gas.

International Maritime Organization (IMO) has implemented the tightest limit for sulphur in fuel oil used on all board ships in the globe of 0.50% m/m (mass by mass) since 1 January 2020. LNG will be the most promising clean energy for maritime transportation with the exception of low sulphur fuel oil and desulfuriser, and China is embracing more opportunities for developing offshore LNG applications. Upon Sino-U.S. phase one trade deal, China has agreed to purchase products and services with the value of not less than USD200 billion from the U.S. in the coming two years, expecting to benefit more projects of mid-to-small size LNG vessels, large-scale LEG vessels and LNG tank containers.

The year 2020 is the final year to fulfill the construction of infrastructure in pursuance of the provisions for storage responsibility and peak shaving benchmarks: "10% for gas suppliers, 5% for city gas operators and 3 days for local governments". After two years of experience accumulated China has had a set of clear standards for assessing gas storage capacity. Given the establishment of National Petroleum and Natural Gas Pipeline Network Group Co., Ltd, city-gas enterprises have equipped themselves with higher gas storage capacity. Larger scale, regional integrated and interregional cooperated type of storage facilities are welcomed, which include underground gas storage, coastal LNG receiving terminals and regional large-scale LNG tanks, favouring the business development of the segment.

The segment's strategy for its clean energy business remains "domestic foothold in China, overseas development and full business chain coverage". We will continue to investigate means to connect the upstream, midstream and downstream segments of the natural gas business chain. Special emphasis will be taken 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.

To cement its position as a market leader, the segment will devote more efforts on resources consolidation to generate synergy from sales, technology, procurement and production. The segment will adopt a competitive strategy of differentiation on different markets, products, regions and customer groups, and consider to commence cooperation with leading companies in the industry to secure new opportunities for growth. In addition to further consolidation of overseas energy business, we will increase the commitment of resources to the clean energy sector, especially in relation to new business such as nuclear energy application, hydrogen energy application, as well as other clean energy storage and distribution.

Chemical and Environmental

With more sophisticated developments in the logistics for transportation of chemical products, Europe and America are the major global markets for tank containers. With on-going economic development of emerging markets, such as China, the Southeast Asia, India and Russia, rapid growth in chemical industry in these emerging markets will promote a steady increase in demand for tank containers globally.

Compared with the extensive use of tank containers in Europe and America, the transportation of chemical goods in China are largely through traditional modes such as tank trucks, drum barrels or bags, the penetration rate of tank containers in China is substantially lower than that in Europe and America. With tightening the requirements on safety of transportation of hazardous chemicals by Chinese government over the past few years as well as increasing awareness of environmental regulations by the public, Chinese government has been implementing policies which encourage intermodal transportation with the use of tank containers. Specifically, efforts have been made to advance the construction of infrastructure for logistics, showcase projects for intermodal transportation and intermodal transportation hubs. Such initiatives will help to enhance the penetration of tank containers in China's logistics industry. The segment has cooperated with well-renowned customers in China, such as China Railway Tielong Container Logistics Co. Ltd. and Sinochem International Corporation, to promote the use of tank containers in China, advancing the role of tank container in development of green logistics.

The segment will maintain its leading position in terms of market share and production capacity, unceasingly create a mutually beneficial, efficient and high-quality supply chain, accelerate expansion of after-sales service and technical service globally, deepen lean improvement and consolidate the foundation of information system for further building up the integrated competitiveness of the segment. While consolidating the tank container equipment manufacturing business, the segment will also actively strive to introduce intelligent features to its products, aiming to help customers enhance their operating efficiency with the use of IOT technologies, and achieving smart logistics of tank containers. For the expansion of new business, we are promoting utilisation and disposal of solid waste effectively by building R&D and manufacturing capabilities of environmental protection equipment, so as to realize the efficient use and recycling of resources. Environment business is closely related to national economy and its people's livelihood. With long value chain and an enormous space for development, the segment will extensively explore business opportunity by means of new establishment, joint venture or merger and acquisition.

Liquid Food

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 business 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 turnkey project services.

THE 2019 FINAL DIVIDEND

Having taken into account the Group's continued business development and efforts to increase return to shareholders, the Board proposes to raise the dividend payout ratio to approximately 40% for the year 2019 (2018: approximately 30%).

The Board recommended a final dividend in respect of 2019 of HKD0.20 (2018: HKD0.14) (the "**2019 Final Dividend**") per ordinary share payable in cash on or about 6 July 2020 to shareholders whose names appear on the register of members of the Company on 12 June 2020 (the "**Record Date**"), subject to shareholders' approval in the forthcoming annual general meeting ("**AGM**") on 29 May 2020.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2019 Final Dividend, the register of members of the Company will be closed from Monday, 08 June 2020 to Friday, 12 June 2020 (both days inclusive). In order to qualify for the 2019 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, 05 June 2020.

Moreover, for determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from Monday, 25 May 2020 to Friday, 29 May 2020 (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, 22 May 2020.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2019 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 2019 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2019 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, 05 June 2020.

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 2019 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 2019, 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 2019. 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 2019.

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, 25 March 2020

The Annual Report 2019 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.