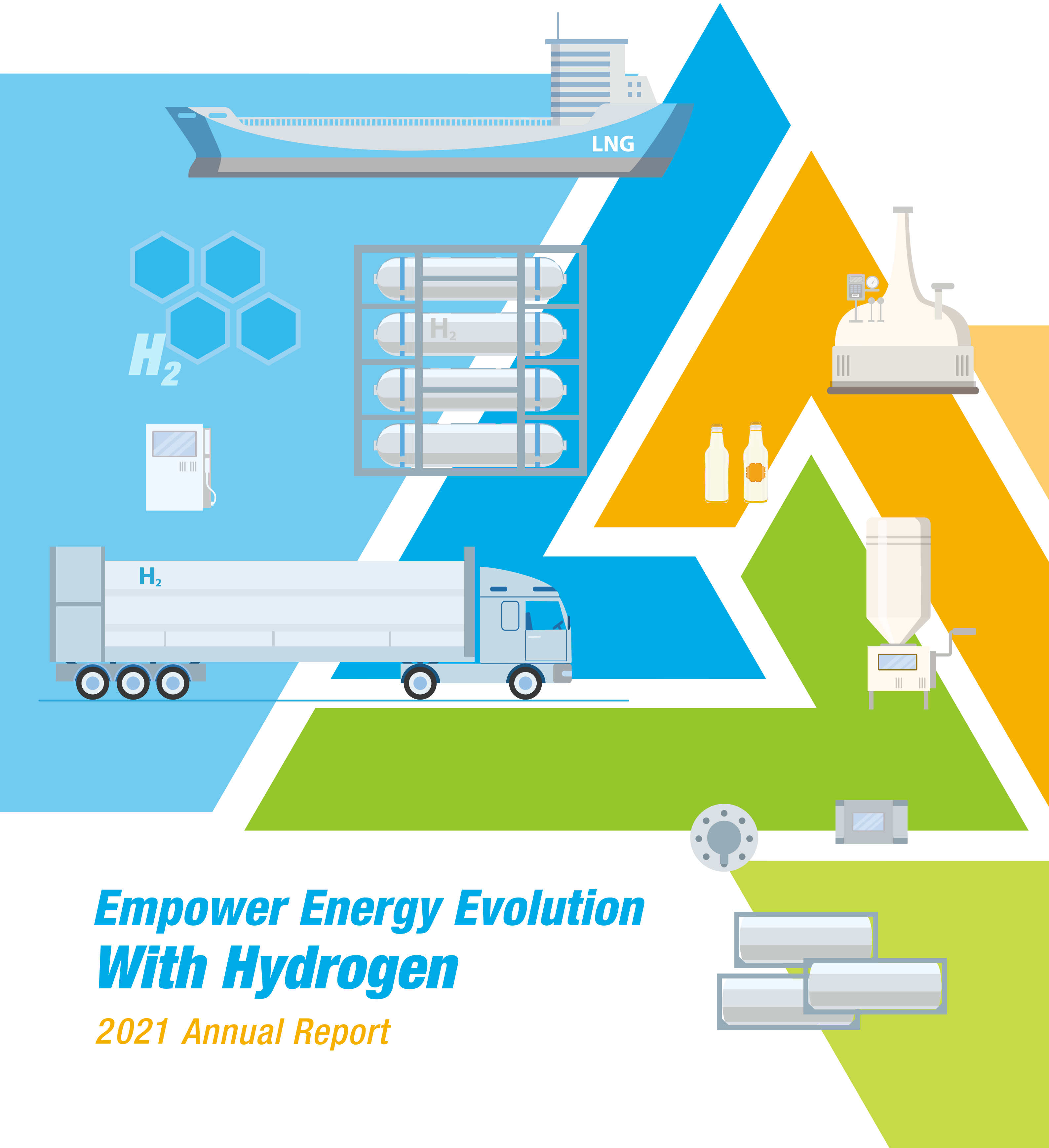
CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：3899



Empower Energy Evolution With Hydrogen

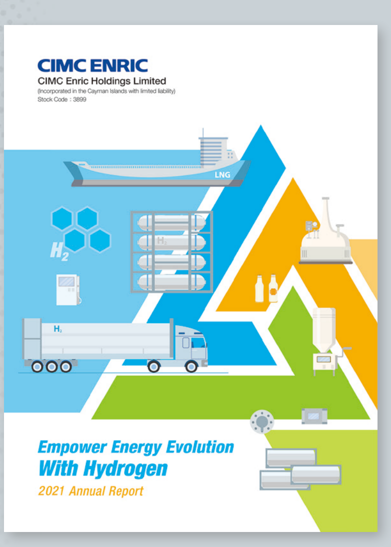
2021 Annual Report

Vision

To be an industry-leading high-tech enterprise in clean energy, chemical and environmental, and liquid food industries.

Mission

With the advancement technology and product innovation, we strive to make energy cleaner, the environment more sustainable, and our lives better. To provide high-quality and reliable equipment and comprehensive value-added services to customers, generate sound returns for shareholders and staff, and create sustainable value to the society.



About Us

Founded in 2004, CIMC Enric Holdings Limited, one of the members of the CIMC Group, has been listed on the Hong Kong Stock Exchange since 2005. The Company is principally engaged in the provision of key equipment, engineering service and integrated solutions for transportation, storage and processing for the clean energy, chemical and environmental and liquid food sectors and has become a leading integrated business service provider and key equipment manufacturer in the industry. Its production and sales of ISO liquid tank containers and high-pressure transportation vehicles are among the top in the world, the market share of cryogenic transportation vehicles and cryogenic storage tanks is in the leading position in China, large storage tank for LNG receiving terminals and modular products for LNG refueling stations and CNG refueling stations have ranked among the top three in terms of market share in China while comprehensively deploying the hydrogen industry chain. The Company has built a global marketing network and has over 20 domestic and overseas subsidiaries located in China, the Netherlands, Germany, Belgium, the United Kingdom and Canada that operate production bases and advanced R&D centers.

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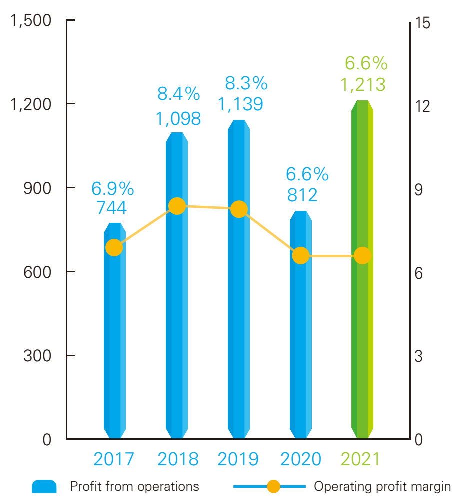
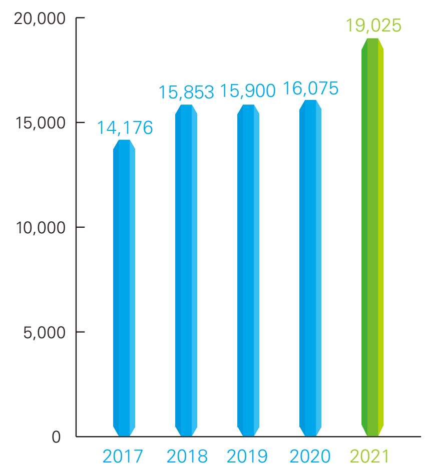
FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	**18,424,763**	12,289,567	13,743,019	13,051,651	10,706,590
Profit from operations	**1,212,559**	811,991	1,138,573	1,098,087	743,960
Finance costs	**(70,425)**	(44,730)	(62,132)	(73,577)	(79,402)
Impairment provision	**–**	–	–	–	(105,549)
Share of post-tax profit/(loss) of associates	**(2,577)**	5,998	9,371	(4,094)	(245)
Profit before taxation	**1,139,557**	773,259	1,085,812	1,020,416	555.764
Income tax expenses	**(231,165)**	(207,051)	(184,407)	(237,966)	(135,866)
Profit for the year	**908,392**	566,208	901,405	782,450	422,898
Attributable to:					
Equity shareholders of the Company	**883,581**	579,923	911,007	785,502	420,077
Non-controlling interests	**24,811**	(13,715)	(9,602)	(3,052)	2,821
Profit for the year	**908,392**	566,208	901,405	782,450	422,898
Earnings per share					
– Basic	**RMB0.447**	RMB0.293	RMB0.464	RMB0.403	RMB0.217
– Diluted	**RMB0.428**	RMB0.293	RMB0.459	RMB0.398	RMB0.215
Total Assets	**19,024,673**	16,074,720	15,900,033	15,853,354	14,176,233
Total Liabilities	**(10,524,996)**	(8,603,362)	(8,515,522)	(9,307,560)	(8,306,454)
Net Asset	**8,499,677**	7,471,358	7,384,511	6,545,794	5,869,779

Profit from operations
RMB million



Total assets at 31 December
RMB million



FINANCIAL HIGHLIGHTS

	As at 31 December		
	2021 RMB'000	2020 RMB'000	+/-
FINANCIAL POSITION			
Total Assets	**19,024,673**	16,074,720	+18.4%
Net Assets	**8,499,677**	7,471,358	+13.8%
Net Current assets	**5,071,926**	3,576,660	+41.8%
Cash and cash equivalents	**3,173,351**	2,560,890	+23.9%
Interest bearing debts[1]	**1,847,442**	1,013,089	+82.4%
Gearing Ratio[2]	**21.7%**	13.6%	+8.1ppt

	For the 12 months ended 31 December		
	2021 RMB'000	2020 RMB'000	+/-
OPERATING RESULTS			
Revenue	**18,424,763**	12,289,567	+49.9%
Gross profit	**2,706,002**	2,094,723	+29.2%
EBITDA	**1,544,872**	1,170,912	+31.9%
Core profit[3]	**948,846**	587,884	+61.4%
Profit from operations	**1,212,559**	811,991	+49.3%
Profit attributable to equity shareholders	**883,581**	579,923	+52.4%
PER SHARE DATA			
Earnings per share – Basic RMB	**0.447**	0.293	+52.6%
Earnings per share – Diluted RMB	**0.428**	0.293	+46.1%
Net asset value per share RMB	**4.192**	3.715	+12.8%
KEY STATISTICS			
GP ratio	**14.7%**	17.0%	-2.3ppt
EBITDA margin	**8.4%**	9.5%	-1.1ppt
Operating profit margin	**6.6%**	6.6%	–
Net profit margin[4]	**4.8%**	4.7%	+0.1ppt
Return on equity[5]	**11.4%**	8.0%	+3.4ppt
Interest coverage – times	**19.5**	23.1	-3.6
Inventory turnover days	**96**	136	-40
Debtor turnover days	**53**	76	-23
Creditor turnover days	**67**	87	-20

Notes:

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

2 Gearing ratio = Interest bearing debts ÷ Total equity

3 Core profit = Profit for the year + amortisation of share award scheme expense + convertible bonds related expenses

4 Net profit margin = Profit attributable to equity shareholders ÷ Revenue

5 Return on equity = Profit attributable to equity shareholders ÷ Average shareholders' equity

CORPORATE INFORMATION

Directors

Non-executive Director

Gao Xiang *(Chairman)*
Yu Yuqun
Wang Yu
Zeng Han

Executive Director

Yang Xiaohu *(General Manager)*

Independent Non-executive Directors

Yien Yu Yu, Catherine
Tsui Kei Pang
Zhang Xueqian
Wang Caiyong

Company Secretary

Cheong Siu Fai (resigned on 31 December 2021)
Zhong Yingxin (appointed on 31 December 2021)

Audit Committee

Yien Yu Yu, Catherine* *CFA*
Tsui Kei Pang
Zhang Xueqian
Wang Caiyong

Remuneration Committee

Tsui Kei Pang*
Zeng Han
Zhang Xueqian

Nomination Committee

Gao Xiang*
Zhang Xueqian
Wang Caiyong

Sustainable Committee

Gao Xiang*
Yang Xiaohu
Yu Yuqun

* *chairman/chairperson of the relevant Board committees*

Authorised Representatives

Gao Xiang
Zhong Yingxin

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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

Principal Place of Business in Hong Kong

Unit 908, 9th Floor
Fairmont House
No. 8 Cotton Tree Drive
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

BOC HK
ING Bank N.V.
Bank of Communications
China Construction Bank
Dah Sing Bank
Taipei Fubon Bank
Rabobank

Principal Share Registrar and Transfer Agent

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Important Date

Annual General Meeting

20 May 2022

Closure of Register of Members for the 2021 Final Dividend

30 May 2022 to 6 June 2022 (both days inclusive)

Payment of 2021 Final Dividend

On or about 28 June 2022

Stock Code

3899

Company Website

www.enricgroup.com

CHAIRMAN'S STATEMENT

OVERALL STRATEGIES

Excellent Operation

Technology Innovation

Products Focus

Intelligent Interconnection

We are selected as the constituent stock of below indexes

- Hang Seng Composite Index (HSCI)
- Hang Seng Composite Index-Energy (HSCIE)
- Hang Seng Composite MidCap & SmallCap Index (HSSI)

And we are Eligible shares listed on the Hong Kong Stock Connect under the Shenzhen-Hong Kong Stock Market Interconnection Mechanism

Dear Shareholders and Partners,

The Company experienced a fast growing year in 2021, we have achieved sustainable growth in turnover and net profit attributable to equity shareholders.

Major Events of 2021

On 21 May 2021, the shareholders approved the spin-off of CIMC Safeway Technologies (中集安瑞環科技股份有限公司, "Spin-off Company"), an indirect wholly-owned subsidiary of the Company, and a separate listing of the shares on a stock exchange in the People's Republic of China. On 3 May 2021, the Board of the Company announcement that Spin-off Company proposed to apply for the listing of its shares on the ChiNext market of Shenzhen Stock Exchange. On 31 December 2021, the Company and CIMC jointly published an announcement in relation to Spin-off Company has submitted the application materials in respect of its A-shares listing, including the Prospectus for the Initial Public Offering of Shares and Listing on the ChiNext Market, to the Shenzhen Stock Exchange, and received a letter of acceptance issued by the Shenzhen Stock Exchange.

On 2 March 2021, CIMC Hydrogen Energy Technology Ltd, a wholly-owned subsidiary of the Company and Hexagon Purus HK Holdco AS ("Hexagon Purus") entered into joint venture agreements to provide safe, lightweight and cost-efficient compressed hydrogen storage and distribution solutions in the People's Republic of China and Southeast Asia. On 26 May 2021, CIMC Enric Investment Holdings (Shenzhen) Limited, a wholly-owned subsidiary of the Company and Angang Energy Technology Co., Ltd. ("Angang") entered into the joint venture agreement to construct and operate the projects for the production of liquefied natural gas and joint production of hydrogen from coke-oven gas. On 2 August 2021, Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd, a wholly-owned subsidiary of the Company, acquired the assets of Qidong Fengshun Ship Heavy Industry Co., Ltd ("Fengshun Ship Asset") to secure the scarce resources of shipyards and shoreline terminals, consolidate and expand the Company's scale and cost advantages as well as its position of a leading player in offshore clean energy equipment manufacturing and engineering area.

On 16 November 2021 (after trading hours), the Company and Morgan Stanley & Co. International plc entered into subscription agreement in relation to issue the zero coupon convertible bonds due in 2026 in the aggregate principal amount of HK$1,680,000,000 to be issued by the Company. On 30 November 2021, as all conditions precedent under the subscription agreement have been fulfilled, the issue of zero coupon convertible bonds due in 2026 in the aggregate principal amount of HK$1,680,000,000 was completed. The listing permission to deal in the bonds on the Hong Kong Stock Exchange became effective on 1 December 2021.

Results of the Year

During 2021, with novel coronavirus ("COVID-19") pandemic largely under control, China's domestic economy along with global economic activities and international trading activities recovered. Moreover, with many of the travel restrictions relaxed in the period, production process at our facilities as well as construction at client's properties were largely normalised, benefited from which, the Group's three business segments grew steadily during the period. As a result, the Group's consolidated revenue for 2021 rebounded by 49.9% to RMB18,424,763,000 (2020: RMB12,289,567,000). The performance of each segment is discussed below:

Driven by favourable government policies, the demand for energy transportation equipment and storage equipment increased significantly. The clean energy segment's revenue for 2021 surged by 38.8% to RMB9,716,085,000 (2020: RMB7,001,558,000). With the good control of the pandemic in the second quarter, China's social economy has grown rapidly, and strong internal demand promotes the consumption of coal, natural gas and electricity. Driven by this, the sales of LNG tank containers, LPG vehicles and spherical tanks increased. Due to the rapid development of the hydrogen energy industry, the demand for the Company's hydrogen storage and distribution equipments and hydrogen refueling station equipments and engineering projects increased. In 2021, the Company's hydrogen-related business grew by 37% year-on-year to RMB175 million. The segment remains the top grossing segment and contributed 52.7% (2020: 57.0%) of the Group's total revenue.

The recovery of international trade due to the relief of the COVID-19 pandemic and a significant increase in prices of chemicals and derivatives have spurred the demand for chemical tank containers in 2021; therefore, the chemical and environmental segment's revenue posted a surge of 87.2% to RMB3,793,827,000 (2020: RMB2,026,944,000). The segment made up 20.6% of the Group's total revenue (2020: 16.5%).

As COVID-19 pandemic related restrictions eased off in most countries during the year, the liquid food segment's operations (especially on-site construction works) had been mostly back on schedule. Moreover, benefiting from the increase of newly signed orders, the liquid food segment's revenue saw an increase of 25.4% to RMB3,420,465,000 during the year (2020:RMB2,727,872,000). The segment accounted for 18.6% of the Group's total revenue (2020:22.2%).

2021 Final Dividend

Taking into consideration of the Group's business development and the purpose of sharing returns with shareholders, the Board proposes a final dividend for 2021.

The Board recommends a final dividend in respect of 2021 of HKD0.21 (2020: HKD0.14) per ordinary share payable in cash on or about 28 June 2022 to shareholders whose names appear on the register of members of the Company on 6 June 2022, subject to shareholders' approval in the forthcoming annual general meeting on 20 May 2022.

Business Review and Prospects

2021 is a year of continuous recovery of China's macro economy. During the year, the domestic pandemic prevention and control was generally stable, foreign trade continued to boom, and high-tech industries continued to improve. In 2021, China's GDP increased by 8.1% year-on-year, representing an increase of 5.9 percentage points compared with 2020.

2021 is the "first year of carbon neutrality and emission peak" and has a profound impact on the clean energy industry, particularly a special year. Natural gas is considered as the cleanest fossil energy with rich application scenarios, complete infrastructure, relatively stable supply and diversified supply sources. The carbon emission intensity of natural gas is about 25% lower than that of petroleum and about 40% lower than that of coal. Driven by the dual-carbon policy, the strategic position of natural gas as a clean alternative energy for low-carbon transformation has become a consensus. China is a major natural gas consumer with natural gas consumption of 372.6 billion cubic meters in 2021, representing a year-on-year increase of 12.7%. In terms of hydrogen energy, 2021 is a year of comprehensive improvement and implementation of hydrogen energy industry policies, with comprehensive updates from the central government's subsidy policies to the planning rules of local governments. Five Chinese ministries jointly launched the demonstration application of fuel cells, and clarified the specific mechanism for three demonstration application city clusters and subsidies at the national level. Subsequently, the local government also followed up and issued regulations on industrial planning and ancillary subsidies.

Benefiting from the diversified and in-depth layout for upstream and downstream of the clean energy sector, including LNG, LPG and industrial gas, the active trading of related gases during the year improved the sales of storage and transportation equipment. Against the backdrop of carbon neutrality and emission peak, the transformation of China's energy structure has accelerated. The proportion of natural gas consumption in primary energy will continue to increase, and there is a broad space for future development. The Company is the only key equipment manufacturer and engineering service provider in China focusing on the whole industry chain of natural gas. It is believed that the Company will continue to benefit from the positive development of China's natural gas industry in the future. As an important supplement to piped natural gas, LPG is an important energy source for rural fuel and catering fuel, which is significantly more economical than natural gas in rural areas. In 2021, the No. 1 Central Document proposed to comprehensively promote rural revitalization, promote gas to the countryside, and support the construction of safe and reliable rural gas storage tank stations and micro-pipe network gas supply system. Under the background of China's rural revitalization strategy and the requirements of equal basic public services in urban and rural areas, rural gas will usher in greater development opportunities during the "14th Five-Year" period. The Company will actively cooperate with customers to help the implementation of rural intelligent micro-pipe network pilot.

In recent years, the IMO's emission reduction goals and measures have become more stringent, driving the global shipping industry to accelerate the realization of carbon reduction goals. Green shipping is increasingly showing great market potential. As a leading provider of integrated solutions for small-to-medium sized liquefied gas carriers and oil-to-gas conversion for vessels, we acquired the relevant assets of Fengshun Ship in August 2021, which supplemented scarce resources such as docks and quayside, improved the quality and efficiency of order taking and delivery, and delivered 3 clean energy bunkering vessels to customers during the year. In the future, we will continue to contribute to the green and high-quality development of the shipping industry with high-quality clean energy vessels. At the same time, the "14th Five-Year" Development Plan for Water Transport, the "14th Five-Year" Development Plan for Pearl River Shipping and the "14th Five-Year" Development Plan for CSC issued by the Ministry of Transport mentioned that it is necessary to strengthen the prevention and control of ship pollution, promote the application of new energy and clean energy vessels, and bring broad opportunities for relevant vessel oil-to-gas service providers. During the year, the Company's vessel oil-to-gas conversion business involved the Yangtze River, Xijiang River, Pearl River and the Beijing-Hangzhou Grand Canal, and achieved strategic demonstration breakthroughs of oil-to-gas conversion business in inland waterways.

Hydrogen energy is an effective way for China to reduce the dependence on fossil energy and ensure energy security, help achieve the goal of "dual carbon" and promote high-quality development. The Company has positioned hydrogen energy as one of the important development directions. During the year, the Company continued to actively promote the layout in various segments of the entire hydrogen energy industry chain through endogenous growth and external cooperation, and provided various hydrogen storage and transportation equipment for the Beijing Winter Olympic Games; The Group also cooperated with well-known enterprises or research institutions such as Angang Steel, Hexagon Purus, Dalian Institute of Chemical Physics and Panasonic Corporation to carry out cooperation in different fields such as hydrogen production, on-board hydrogen cylinders and hydrogen combined heat and power system, and comprehensively deployed the core equipment and services for hydrogen production, storage, transportation, processing and application. At the same time, the Group conducted technical reserves for the core development route of hydrogen energy with potential, and strived for first-mover advantages to meet the market opportunities brought by the full outbreak of hydrogen energy in the PRC market.

The rebound of global trade and the recovery of chemical industry during the year led to a significant increase in the demand for tank containers in the global market. Under the COVID-19 pandemic, the global political and economic landscape has changed drastically. The National People's Congress and the Chinese People's Political Consultative Conference proposed a new development pattern of "dual circulation", in which logistics, as a social circulation system, is of great significance in the dual circulation development pattern. Driven by demand, policy and technology, multimodal transport will be an important way for China's long-distance transportation development in the medium and long term, and will become an important transportation method and practical guarantee for bulk materials. On the other hand, China's chemical industrial parks are gradually becoming standardized and clustered. The Company will focus on domestic large-scale chemical industrial parks and large-scale chemical logistics loading and unloading ports to build a comprehensive after-sales service network and provide customers with full life cycle technical services.

In order to maintain the sustainable development of the economy, China has increasingly strengthened its enforcement and supervision of environmental pollution, which has brought more development opportunities to the advanced environmental protection industry. Relying on its long-established advanced manufacturing capabilities, the Company has begun to actively explore environmental protection business in recent years. In the future, relying on the accumulation of environmental protection technology and the research and development of high-end environmental protection equipment, the Company will vigorously expand the business of harmless disposal and resource recycling of industrial hazardous waste and general solid waste.

In 2021, the Company announced the spin-off and separate IPO of CIMC Safe Tech, a subsidiary principally engaged in chemical and environmental business, in the A-share market of China. The Company wishes to further consolidate its global leadership in the chemical tank container business for the chemical and environmental business, increase the proportion of revenue in the PRC market and explore new opportunities in the environmental protection field through separate listing of the relevant business from A shares, so as to provide a good platform for business development, employee incentives and capital market financing.

The revenue of liquid food segment was mostly generated from overseas. Despite the challenges such as the pandemic, it has successfully secured orders from various places around the world due to the growth in demand for liquid food equipment and our diversified business layout in the early stage. A number of projects undertaken by the Company have also made good progress. It is worth sharing that we have also made some breakthroughs in the Chinese Baijiu business, laying a good foundation for the subsequent expansion of the Chinese Baijiu business.

Driven by retail modernization and diversified consumption trends, the outlook for the alcoholic beverage market remains positive, especially the growth opportunities shown in the Asian and American markets. The diversification of consumer trends has shown strong interest in trying craft beer, hard seltzer and whisky. We will seize the market trend in a timely manner, continue to implement the development strategy of vertically consolidating our leading position in the turnkey brewery capability, horizontally expanding the business opportunities in other liquid food industries such as distilled spirits, baijiu, hard seltzer, juice, dairy products and biopharmaceuticals in non-beer businesses, and actively seek new merger and acquisition opportunities to improve the EPC project capability in different industries, so as to prepare for the development of multi-category liquid food equipment market.

Looking forward, the Company will continue to improve the development pattern of clean energy with natural gas and hydrogen energy as the main development path, synergizing with chemical environment with intelligent manufacturing and service as the direction, as well as liquid food with the goal of building a global multi-category turnkey project capability. We will adhere to the core driving force of scientific and technological innovation, and continue to provide customers with high-tech, high-quality, reliable and intelligent integrated solutions and services based on key equipment in the three major fields of clean energy, chemical and environment, and liquid food, so as to create new value, help clean energy, sustainable environment, and better life, and become a globally respected leading enterprise in the field we enter.

Social Responsibility

In July 2021, Henan suffered from a severe rainstorm. The first aid vehicle named Su ECF587, manufactured by the Company, rushed to the disaster-stricken area and arrived at Xiayuan Village, Weihui Town, Xinxiang City, the most severely affected by the disaster on 26 July. The first aid vehicle operated continuously for five days and four nights in the disaster-stricken area, providing electricity security for 5,000 people in the gathering and distribution point. The accumulated safe, stable and continuous power supply was 1,200 kWh, ensuring the normal life of the people in the disaster-stricken area during the special period.

In August 2021, a sudden outbreak of the COVID-19 variant "Delta" occurred in Jingmen, Hubei Province. In the face of the severe epidemic prevention and control situation, the Company responded quickly and took immediate action. While actively responding to the epidemic to ensure the safety and stable production of employees, the Company immediately donated RMB150,000 to the Red Cross Society of Duodao District, Jingmen City for the purchase of epidemic prevention materials such as masks, disinfectants and disinfectant sprayers, actively practicing corporate social responsibility, and always insisting on being a warm enterprise.

In December 2021, Nantong CIMC Energy Equipment Co., Ltd., a subsidiary of the Group, was awarded the title of "Green Factory of Jiangsu Province". By adopting the centralized supply of compressed air in power plants to replace high energy consumption air compressors, the annual emission reduction was approximately 1,500 tons of standard coal; Through the use of multiple sets of water recycling systems, the annual circulating water volume is 66,480 tons, and the circulating water utilization rate is 46.1%. As an intelligent manufacturing enterprise, the Company has established a green design platform, introduced the concept of ecological design, and realized the green ecology of the entire product life cycle. The equipment and processes used by us are advanced in the industry with low energy consumption, and the energy consumption per ten-thousand-yuan output value is at the advanced level in the industry in China. In the future, we will increase investment in energy conservation and emission reduction, promote the application of renewable energy, achieve green development of factories, and better fulfill social responsibilities.

Appreciation

In addition, I would like to thank my fellow Directors for their contribution and all our staff for their dedication and hard work. On behalf of the Board and the management, I would like to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their continuing support. Looking ahead, the Group remains prudently optimistic about the outlook of the sectors it is engaged in. The Group firmly believes that the combination of the Group's key strategies and diversified business model will create sustainable and long-term value to shareholders.

Gao Xiang
Chairman

Hong Kong, 23 March 2022

CLEAN ENERGY SEGMENT

Offshore Clean Energy Industry Chain

Upstream (Production & Processing)

- Offshore oil and gas processing module

Midstream (Transportation)

- Small and medium liquified gas carrier (LEG/LPG/LNG)

Downstream (Terminal application)

- LNG bunkering vessel
- Oil-to-gas conversion for vessels

Onshore Clean Energy Industry Chain

Upstream (Production & Processing)

- Liquefaction plant/wellhead skid-mounted equipment
- Wellhead gas treatment and processing

Midstream (Storage & Transportation)

- Clean energy transportation equipment
- LNG peak shaving storage equipment and engineering
- Other clean energy storage equipment and engineering

Downstream (Terminal application)

- On-vehicle LNG fuel tank
- Industrial and commercial LNG fuel equipment

Hydrogen Energy Industry Chain

Upstream (Production & Processing)

- Demonstration project of hydrogen production from methanol and hydrogen refueling station
- Demonstration project of hydrogen production from coke oven gas

Midstream (Storage & Transportation)

- Hydrogen tube bundle trailer
- Hydrogen storage tank

Downstream (Terminal application)

- Hydrogen refueling station
- Hydrogen combined heat and power solution for buildings
- Type III and Type IV on-board hydrogen cylinder

Industry Overview

2021 is the first year of the 14th Five-Year Plan. During the year, the "Seven-Year Action Plan of Increasing Reserves and Production" continued to be in progress. The three domestic upstream production enterprises devote more efforts in exploration and development, and the construction of production capacity was advanced efficiently, resulting in a rapid growth in national natural gas production. According to the data from the National Development and Reform Commission (the NDRC), China's domestic natural gas production in 2021 was 208.6 billion cubic meters, representing an increase of 10.4% as compared to 2020, and the apparent consumption of natural gas was 372.6 billion cubic meters, representing a year-on-year increase of 12.7%. In 2021, China imported 169.1 billion cubic meters of natural gas, representing a year-on-year increase of 19.9%, of which the import of LNG reached 110 billion cubic meters, accounting for 65% of the total import of natural gas. China has surpassed Japan for the first time to become the largest LNG importer in the world. It is expected that China's import of natural gas will continue to grow steadily in the future.

Affected by import prices, domestic gas source costs and weather factors, China's LNG market performed unusually in 2021. The overall market price has risen significantly, showing a state of not being weak in the off-season and not prosperous in the heating season (i.e. peak season). According to the statistics of LESSBETTER, the average price of LNG delivered in China in 2021 was RMB5,080/ton, representing a year-on-year increase of 38%. According to the data from the NDRC, the total LNG consumption in tank transportation form in China has reached 38.05 million tonnes in 2021 for a year-on-year growth of 4.3%. Among which, LNG consumption in traffic fuel sector by vehicles and shipsgas and industrial gas consumption were 13.42 million tonnes and 13.37 million tonnes respectively, both accounting for 35%; City gas consumption was 10.24 million tons, accounting for 27% of the total.

China's peak shaving and gas storage market is entering an accelerated period. According to the data from the NDRC, in 2021, the new storage capacity of city-gas LNG peak shaving equipment was 403,500 water cubic meters, and most of the peak shaving reserve projects will be put into operation in 2022–2023. At present, there are 14 projects under construction in China, and the ones with large reserves are mainly concentrated in Liaoning, Shandong, Jilin and other places. It is expected that the new gas storage capacity will be 227,400 cubic meters, and the maximum adjustable peak gas consumption in winter will be approximately 136 million cubic meters.

As international organizations and governments continue to raise higher requirements for low-carbon environmental protection standards in the shipping industry, leading shipping companies in the world have announced their net zero emission commitments, and have increasingly attached importance to the latest generation of green, energy-saving and environmentally friendly ships and the upgrading and transformation of existing fleet technologies. According to Clarkson's data, as of November 2021, there were approximately 800 clean fuel vessels in the global ship orders on hand, of which LNG fuel vessels and LPG fuel vessels accounted for 68% and 12% respectively. In the domestic market, with the further promotion of the use of clean energy and the relevant subsidy policies released by local governments for the transformation of LNG-powered vessels and the priority of right to pass through the gate, the vessels powered by LNG will usher in a relatively rapid development in the next few years. According to the statistics of LESSBETTER, as of 2021, the number of inland LNG-powered vessels built (including new construction and renovation) in China was 329, of which 25 were newly built in 2021, all being new LNG-powered fuel vessels. During the year, Guangdong Province issued a number of inland waterway shipping development policies to vigorously promote the oil-to-gas conversion for inland waterway vessels and the development of green shipping.

During the year, the hydrogen energy industry continued to heat up, and hydrogen energy was widely recognized as an important means to achieve "carbon neutrality". The national and regional local governments have promulgated a series of hydrogen-related supporting policies to promote the development of the hydrogen energy industry. In August 2021, five national ministries and commissions (i.e. Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, National Development and Reform Commission and National Energy Administration) jointly approved Beijing city cluster, Shanghai city cluster and Guangdong city cluster as the first batch of demonstration city clusters; In January 2022, Hebei city cluster and Henan city cluster were successfully approved as the second batch of demonstration city cluster. So far, the national "3 + 2" fuel cell vehicle demonstration zone has taken shape. Driven by the policy of fuel cell demonstration city clusters, the relevant local governments have successively issued implementation plans for demonstration city clusters, and clarified reward points and reward rules including vehicle purchase, key parts and components, and construction subsidies for hydrogen refueling stations. According to market statistics, as of the end of 2021, the number of hydrogen fuel cell vehicles in China was 8,947, and 255 hydrogen refueling stations had been built, ranking first in the world in terms of the number of hydrogen refueling stations. Under the clearer hydrogen energy policy and the active layout of state-owned assets, the landscape of the hydrogen energy industry may usher in new changes, and the pace of industrialization is expected to accelerate.

Onshore clean energy related policies

Release time	Issuing authority	Policy Name	Main contents
January 2021	Ministry of Transport	"Safe Transportation Requirements for Fully-loaded LNG Movable Tank Containers (Trial)"	In order to ensure the safety of the transportation of movable LNG tank containers by vessels, according to relevant regulations, combined with the implementation of the pilot project of waterway transportation of LNG tank containers, the safety transportation requirements for LNG tank containers are determined.
February 2021	State Council	"Guidance of the State Council on Accelerating the Establishment and Improvement of a Green and Low-carbon Cyclic Development Economic System"	On the basis of efficient use of resources, strict protection of ecological environment and effective control of greenhouse gas emissions, we will coordinate and promote high-quality development and high-level protection to ensure the realization of emission peak and carbon neutrality goals, and promote China's green development to a new level.
February 2021	State Council	"Opinions of the State Council of the PRC on Comprehensively Promoting Rural Revitalization and Accelerating Agriculture and Rural Modernization"	When deploying "strengthening the construction of rural public infrastructure", it was the first time to clearly propose "promoting gas to the countryside and supporting the construction of a safe and reliable rural gas storage tank station and micro-pipe network gas supply system".

Release time	Issuing authority	Policy Name	Main contents
March 2021	NDRC, NEA	"Notice on Accelerating the Key Oil and Natural Gas Infrastructure Projects in 2021"	To ensure China's energy security, it is clearly specified projects that each energy enterprise needs to complete in 2021, including the construction of gas storage projects.
May 2021	People's Government of Guangdong Province	"Notice on the Implementation Plan for Accelerating the High-quality Development of Urban Natural Gas in Guangdong Province"	To improve the regulatory and policy system for urban natural gas management, accelerate the construction of main natural gas pipelines and gas storage and peak-shaving facilities, promote fair and open operation, accelerate the construction of urban gas supply pipelines, make up for the shortcomings of gas storage capacity of urban gas enterprises, and improve the stable supply capacity of natural gas.
August 2021	Shandong Provincial Government	"The 14th Five-Year Plan for Shandong Province Energy Development "	To accelerate the construction of coastal LNG receiving terminals, build an important coastal thousand-ton LNG receiving and unloading base in China, and prioritize the construction of important port site projects. By 2025, the annual loading and unloading capacity of coastal LNG will reach approximately 25 million tons per year.
October 2021	State Council	"The Action Plan for Carbon Emission Peak by 2030"	In order to thoroughly implement the major strategic decisions of the CPC Central Committee and the State Council on emission peak and carbon neutrality, and solidly promote the action of emission peak, this plan is formulated.
December 2021	State Council Safety Committee	"Work Plan for National Urban Gas Safety Inspection and Rectification"	To deploy a one-year urban gas safety inspection and rectification work nationwide, requiring all regions, relevant departments and units to comprehensively investigate and rectify gas safety hazards.

Offshore clean energy related policies

Release time	Issuing authority	Policy Name	Main contents
September 2021	Guangdong Provincial Government	"The Overall Plan for Improving the Capacity of Inland Waterway Shipping in Guangdong Province and Promoting the Green Development of Inland Waterway Shipping", "The Implementation Plan for Improving the Capacity of Inland Waterway Shipping in Guangdong Province" and "The Implementation Plan for Green Development Demonstration Project of Inland Waterway Shipping in Guangdong Province"	In 2021, 6 LNG refueling stations were put into operation; By 2022, the application scale of 350 LNG-powered vessels will be formed; By 2025, the application scale of LNG-powered vessels will be further expanded, and the layout of LNG refueling stations will be further improved, forming a relatively complete LNG-powered vessel transportation network in the inland waterway of the Pearl River Delta.
October 2021	State Council	"The Action Plan for Carbon Emission Peak by 2030"	To actively expand the application of new energy and clean energy such as electricity, hydrogen energy and natural gas in the transportation sector. To accelerate the transformation and renovation of old vessels, develop electric and liquefied natural gas powered vessels, and carry out demonstration and application of green and intelligent vessels in coastal and inland waterways according to local conditions.

Hydrogen energy related policies

Release time	Issuing department	Policy Name	Main contents
January 2021	NDRC	"Catalogue of Encouraged Industries in Western Region (2020 Version)"	Encouraging Guizhou Province to develop hydrogen-related industries such as hydrogen processing and manufacturing, hydrogen fuel cell manufacturing, hydrogen transmission pipelines and hydrogen refueling stations; Encouraging Shaanxi Province to develop new energy and related device manufacturing industries such as wind power, photovoltaic power, hydrogen energy and geothermal energy; Encouraging the development of hydrogen processing and manufacturing, hydrogen fuel cell manufacturing, hydrogen pipeline and hydrogen refueling station construction in Inner Mongolia Autonomous Region.

Release time	Issuing department	Policy Name	Main contents
February 2021	State Council	"Guidance on Accelerating the Establishment of a Green and Low-Carbon Circular Development Economic System"	It pointed out to increase the proportion of renewable energy utilization, vigorously promote the development of wind power and photovoltaic power generation, and strengthen the construction of supporting infrastructure such as charging piles and hydrogen refueling stations.
February 2021	Ministry of Science and Technology	"Notice on soliciting opinions on the 2021 annual project application guidelines for 18 key special projects including the "14th Five-Year Plan" National Key R&D Plan "Hydrogen Energy Technology""	Focusing on four technical directions, namely the green production and large-scale transfer and storage system of hydrogen, the safe storage and rapid transmission and distribution system of hydrogen, the convenient and improved quality and efficient power system of hydrogen and the comprehensive demonstration of "hydrogen into thousands of households", the government initiated 19 guiding tasks.
May 2021	Eight departments including the Ministry of Ecology and Environment, the Ministry of Commerce and the National Development and Reform Commission	"Guiding Opinions on Strengthening Ecological Environmental Protection in Pilot Free Trade Zones and Promoting High-quality Development"	To carry out the pilot of green energy supply model. To research and construct a batch of comprehensive stations with functions such as natural gas, energy storage, hydrogen and rapid charging and swapping under the premise of ensuring safety.
Jul 2021	Shanghai Bureau of Economy and Information Technology	"Implementation Plan for Accelerating the Development of New Energy Vehicle Industry in Shanghai (2021–2025)"	The total number of fuel cell vehicle applications promoted will exceed 10,000 units; more than 70 hydrogen refueling stations will be built; the target market value of the industry chain is RMB 100 billion.
August 2021	Beijing Municipal Finance Bureau	"Implementation Plan for Beijing-Tianjin-Hebei Fuel Cell Vehicles Demonstration City Cluster"	The government will promote 10,000 fuel cell vehicles and 74 hydrogen refueling stations (2025); and the market value of the industrial chain is targeted to reach more than RMB 100 billion.

Release time	Issuing department	Policy Name	Main contents
August 2021	NDRC, NEA	"Guiding Opinions on Accelerating the Development of New Energy Storage"	Adhering to the diversification of energy storage technology, promote the continuous decline in the cost of relatively mature new energy storage technologies such as lithium-ion batteries and the application of commercial scale, and explore the research and demonstration application of hydrogen storage, heat storage and other innovative energy storage technologies based on demand.
October 2021	State Council	"The Action Plan for Carbon Emission Peak by 2030"	Promoting carbon emission peak of steel industry. Pilot demonstration projects such as integration of hydrogen metallurgy and carbon dioxide capture and utilization will be explored and carried out to promote the development of low-grade residual heat supply. Accelerating the construction of green transportation infrastructure. To promote the construction of charging piles, supporting power grids, refueling (gas) stations, hydrogen refueling stations and other infrastructure in an orderly manner to improve the urban public transportation infrastructure.
December 2021	Guangdong Provincial Development and Reform Commission	"Action Plan for Accelerating the Construction of Fuel Cell Vehicles Demonstration City Cluster in Guangdong Province (2021–2025)"	More than 10,000 fuel cell vehicles to be promoted; about 200 hydrogen refueling stations to be constructed.

Business Review

Onshore clean energy sector

CIMC Enric is the only key equipment manufacturer and integrated engineering services provider in China claiming full natural gas industry lay out and capable of providing one-stop system solutions. Having been highly recognised by our customers, we are one of those with highest market share in different product lines. For instance, we are leading in China in terms of production and sales volume of storage and transportation equipment for LNG, LPG, CNG and industrial gases.

In 2021, the city-gas LNG peak-shaving market maintained rapid growth. The Company can supply whole series of storage tank products and engineering services to meet the requirement of natural gas storage capacity, and we have actively participated into the construction of peak-shaving facilities in China. Apart from natural gas sector, the rapid development of the domestic petrochemical market also brought more opportunities. The cryogenic storage tanks such as ethane and ethylene in the petrochemical industry also recorded an increase in sales. During the year, two 150,000 m^3 cryogenic ethane and propane projects built in Zhejiang have been roofed and delivered successfully. In terms of overseas business, our 6,000 m^3 LPG spherical tank terminal construction project in Cambodia has been successfully completed and put into use. The successful completion of the project has laid a good foundation for us to continue to develop the Cambodian market.

In terms of transportation equipment, benefiting from the active LNG trading during the year, the sales volume of LNG tank containers recorded a steady growth, and 20 LNG trailers were delivered in batches in September 2021, which were used as special supply vehicles for the 14th National Games of Shaanxi Province. The recovery of the global oil market has boosted the operating rate of oil refining enterprises, which led to an encouraging sales growth in LPG trailers, with a year-on-year increase of 97%.

In terms of downstream application, China has implemented the China VI Emission Standards for diesel heavy-duty trucks since 1 July 2021. Heavy-duty truck manufacturers focused on selling the inventory of China V standard diesel heavy-duty trucks. In addition, the high LNG price partially weakened the economic advantages of LNG heavy-duty trucks. The sales of LNG heavy-duty trucks decreased by approximately 58% YoY, resulting in a decrease in the overall demand for LNG cylinders and a YoY decrease in the sales volume of LNG cylinders of the Group. However, with the full implementation of the China VI Standard, the gap of the selling price between LNG heavy-duty trucks and diesel heavy-duty trucks is expected to narrow. In the long run, the economic and environmental advantages of LNG heavy-duty trucks will still be maintained; on the other hand, the demand for industrial gas increased due to the recovery of manufacturing industry, and the demand for cryogenic small storage tanks increased significantly, recording a steady sales growth during the year.

Offshore clean energy sector

The Company is a world leader in the niche market of the small-to-medium sized liquefied gas carriers with the largest global market share, offering a product chain that covers full pressurized, semi-refrigerated & semi-pressurized carriers for various liquefied gases such as LPG, ethane, LEG and LNG, as well as LNG bunkering vessel.

Since the successful acquisition of the assets of Fengshun Ship in August 2021 and the acquisition of core shipbuilding resources such as shipyard and docks, the capability of new orders taking and delivery of new ships has been significantly improved, which further consolidated the Company's leading position in the global small-to-medium sized liquified gas carrier market. For the international market, during the year, we delivered a total of 1 LNG bunkering vessel of 7,500 m^3, 1 LPG bunkering vessel of 5,000 m^3 and 1 LNG carrier and bunkering vessel of 20,000 m^3. Among them, the 5,000 m^3 LPG bunkering vessel is the first dual-fuel full-pressurized LPG carrier in the world, which meets the latest emission requirements. It is a typical environment-friendly vessel with good market prospects and is expected to become the first choice vessel for the replacement of the global full-pressurized LPG fleet. The 20,000 m^3 LNG carrier and bunkering vessel is currently the largest LNG bunkering vessel in the world.

Meanwhile, as a leading integrated oil-to-gas conversion solution provider in China, we are committed to promoting the development of green shipping in China. During the year, we entered into 20 orders for LNG-powered canned cement carriers with cement manufacturers in the Xijiang River Basin. On the one hand, we replaced diesel fuel with LNG fuel to effectively alleviate the pollution of exhaust gas emissions. On the other hand, we replaced bulk vessels with tank vessels to effectively solve the problem of excessive dust pollution caused by open cement carriers currently used in the cement transportation of Xijiang River, promoting the standardized, modern and clean development of the cement transportation of Xijiang River; and delivered LNG fuel supply system for 9 vessels of the Beijing-Hangzhou Canal Project. In January 2022, the Group entered into a renovation order for 9 LNG-powered vessels with shipping companies in the Yangtze River Basin. Thus, the oil-to-gas conversion business of CIMC Enric has involved the Yangtze River, Xijiang River, Pearl River and Beijing-Hangzhou Grand Canal basins, and has achieved strategic demonstration breakthroughs of oil-to-gas vessel conversion business in inland waterway.

Hydrogen energy sector

The Company is a leading provider of hydrogen storage and transportation equipment and engineering services in China. Since 2006, the Company has commenced the hydrogen energy business with products covering various segments such as hydrogen storage, transportation, processing and application.

Benefiting from the rapid development of the domestic hydrogen energy market, the sales volume of hydrogen storage and transportation equipment recorded a steady growth during the year. Relying on the customer and resource advantages in the field of clean energy, the Company continued to promote the layout in various segments of the entire hydrogen energy industry chain. In May 2021, we established a joint venture with Angang Energy Technology Co., Ltd. to start the production of LNG and joint production of hydrogen from coke-oven gas, and enter the upstream hydrogen production field. In terms of storage and transportation, we provided hydrogen equipment for the Beijing Winter Olympics and Winter Paralympic Games, including more than 30 sets of hydrogen tube bundle containers and more than 10 sets of 50MPa hydrogen storage tanks. With a full range of high-quality hydrogen equipment, we fully supported the carbon neutrality commitment of the Beijing Winter Olympics. We also successfully delivered 30MPa large volume cylinders for vessels hydrogen fuel to European customers.

During the year, we won the order of approximately RMB100 million for the Type III on-board hydrogen supply system and successfully delivered several hydrogen refueling stations, including the first "oil, gas and hydrogen" integrated station in Hebei Province that serves the construction of Xiong' an New Area and the 70MPa fully-integrated skid-mounted hydrogen refueling station that serves the Beijing Winter Olympics. At the same time, we cooperated with Dalian Institute of Chemical Physics to jointly promote the methanol hydrogen production and hydrogen refueling demonstration project as well as progressing the joint venture related to Type IV hydrogen cylinder with Hexagon Purus in an orderly manner. The Group also signed a memorandum of understanding with Panasonic China Northeast Asia Co., Ltd. to jointly research and develop hydrogen combined heat and power system for buildings, to invest in technology and reserve for its large-scale promotion in China, and to improve the comprehensive energy utilization efficiency.

Future Plans and Strategies

Onshore clean energy sector

The pace of global carbon emission reduction and carbon neutrality is accelerating. At present, more than 130 countries and regions have proposed climate targets of "Zero Carbon" or "Carbon Neutrality". Under the constraints of China's dual carbon goals, natural gas, as a clean primary fossil energy, will become an important tool for China to slow down the growth of carbon emissions. Natural gas will play an important role in China's "Road to Carbon Neutrality".

In the context of carbon neutrality, the "coal-to-gas" conversion process in China's industrial and transportation sectors has accelerated, and clean environmental protection policies have been introduced frequently in various regions, boosting the demand for natural gas in the industrial power generation sector. On the other hand, the middle and lower reaches of the Yangtze River, central China and other regions have been promoting winter heating, which will drive the growth of residential and heating gas consumption in southern regions. The Economic Research Institute of CNPC estimates that China's natural gas consumption will increase to 420 to 440 billion cubic meters by 2025, with an average annual increase of over 20 billion cubic meters, representing a growth rate of approximately 6%. On the supply side, China will continue to promote the construction of natural gas production, supply, storage and sales system during 14th Five-Year Plan, and it is expected that the domestic natural gas supply will continue to grow steadily. The rapid construction of coastal LNG receiving terminals will also drive the steady increase of LNG import volume in China. In general, the supply and demand of natural gas in China will maintain a relatively rapid growth during 14th Five-Year Plan, which is beneficial to the relevant storage equipment business of the Company.

In terms of transportation, LNG tank containers are suitable for storage and transportation, and can be used as temporary gas storage facilities by giving full play to the advantages of long storage time of tank containers, and quickly respond to the gas demand of end customers through inventory forward. With the introduction and continuous improvement of documents such as the "Safe Transportation Requirements for Fully-loaded LNG Movable Tank Containers (Trial)", and the "Work Plan for Promoting the Development, Optimization and Adjustment of Transportation Structure of Multimodal Transport (2021–2025)" issued by the State Council in January 2021, LNG tank container railway transportation is expected to be launched, and the connection of LNG tank container shipping model will drive the rapid growth of LNG tank container demand, and LNG tank containers will usher in a broad development prospect. On the other hand, due to the development of China's chemical raw materials towards light weight in recent years, LPG, as a more economical and environmentally friendly raw material than naphtha and coal, has been widely used. The continuous expansion of the production capacity of LPG deep processing plants has also led to the continuous growth of the demand for LPG as chemical raw materials, which will support the continuous growth of domestic LPG demand and drive the development of LPG trailers and related markets. In February 2021, the "Opinions of the State Council of the PRC on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization" issued by the State Council clearly stated for the first time that "promoting gas to the countryside and supporting the construction of safe and reliable rural gas storage tank stations and micro-pipe network gas supply systems", and the relevant equipment such as LPG pump tankers are expected to usher in a broad market.

In terms of downstream applications, the sales volume of LNG heavy trucks is expected to maintain a moderate growth due to the implementation of environmental protection policies in various regions, emission upgrade and elimination of obsolete vehicles. Meanwhile, the booming express delivery industry will also stimulate the demand for LNG-powered logistics vehicles.

Looking forward, we will continue to adhere to the business development strategy of "equipment manufacturing + engineering services + overall solutions", actively follow the national policies, further strengthen the advantages of the whole natural gas industry chain layout, continue to adjust and optimize the high-pressure business chain with industrial gas, electron gas and CNG, actively expand overseas business, and seize new opportunities in unconventional natural gas treatment and application equipment.

Offshore clean energy sector

With the rapid development of the global trade and shipping industry, vessel emissions have become one of the important sources of air pollution in shipping route areas and port cities. The International Maritime Organization (IMO) requires that the sulphur content of marine fuel oil in the world should be reduced to 0.5% from 2020. Compared with the use of such low-sulfur oil, LNG fuel can achieve better emission reduction and lower operating costs. The LNG bunkering vessel industry at home and abroad is emerging. After years of exploration and development, it has been booming.

In the domestic market, the gradual implementation of "oil-to-gas" projects such as "Gasification of Yangtze River" and "Gasification of Pearl River" has promoted the green development of inland waterway shipping. According to the Subsidy Implementation Plan for the Renovation to LNG-powered Vessels under the Green Development Demonstration Project of Inland Waterway Shipping in Guangdong Province, Guangdong Province will arrange subsidies of approximately RMB550 million for the transformation of existing or under-construction inland waterway transportation vessels from Guangdong into LNG-powered vessels.

As a leading provider of small and medium-sized liquefied natural gas carriers and oil-to-gas conversion services for vessels, the Company will focus on the field of liquefied natural gas offshore storage and transportation, providing "oil-to-gas" vessel renovation solutions for domestic and foreign leading inland waterway shipping companies as well as small and medium-sized clean energy carriers and bunkering vessels to help customers realize the transformation and upgrading of green shipping, and consolidate its leading market position in the field of offshore clean energy equipment.

Hydrogen energy section

With the support of multiple favorable national and local policies, China's hydrogen energy industry is expected to enter a period of rapid growth, hydrogen energy will become an important part of China's energy system, and it is expected to achieve continuous penetration in transportation, industry and other fields, creating a relatively broad economic market. According to the 2020 White Paper on China's Hydrogen Energy and Fuel Cell Industry issued by the China Hydrogen Energy Alliance, it is expected that hydrogen energy will account for 20% of China's terminal energy consumption by 2060.

The Company will deploy blue hydrogen and green hydrogen production equipment and related hydrogen production services; The Group will continue to promote the research and development progress of new products, provide the market with more efficient high-pressure hydrogen storage and transportation technology and equipment, and actively reserve civil liquid hydrogen storage and transportation technology and products. In terms of on-board hydrogen supply system, the joint venture established by the Company and Hexagon Purus will complete the construction of the production base. In the field of hydrogen refueling stations, we will vigorously promote the research and development and promotion of hydrogen refueling station products, strengthen market expansion, and actively participate in demonstration projects. At the same time, the Company will also vigorously expand various new hydrogen energy businesses such as methanol hydrogen production, improve the industrial chain layout, and move towards the goal of technology-based hydrogen energy business.

Research and Development

Driven by technology innovation, the clean energy segment has always provided maximise value to customers by offering them the most competitive equipment and one-stop solutions. The segment places great emphasis on research and investment in new products and new technology, which will enhance our competitive advantages and strengthen technological innovation, laying a concrete foundation for sustainable development of the Company. In 2021, the segment carried out a number of successful natural gas related equipment research and development projects, such as:

- Completed the joint research and development of LNG first aid vehicles (power supply vehicles), upgraded intelligently, realized remote monitoring and dispatching, and successfully participated in the emergency disaster relief power supply in Henan Province;

- The trial production and on-board test of the 5-cubic and 20-foot sample tanks of the "Research on the Application of High-manganese Olympus Cryogenic Steel in Marine LNG Storage Tanks" project of the Ministry of Industry and Information Technology have been completed. The technical problems such as sealing, molding and welding have been overcome, and have now reached the acceptance status;

- Completed the R & D of 52.5m^3 medium pressure pentane vehicle, achieved the most comprehensive and compliant vehicle model, and achieved batch sales;

- The Company completed the research and development of key storage and transportation equipment for "micro-pipe network" distributed energy, completed the preparation and release of social group standards for 2 key storage and transportation equipment products, and completed the national "Three New" technology review. Bulk orders have been signed and relevant products are expected to be promoted for industrialization in 2022;

- Successful research and development of the maximum volume of 1,500L vehicle liquefied natural gas cylinders that meet the standards; Completed the development of the double-layer 1,350L LNG cylinder gas supply system for vehicles to meet the demand for lightweight and reliability of vehicles, with a range of more than 3,000 Km;

- Completed sample tank manufacturing and type test of liquid helium tank, realized the advanced manufacturing of the first large liquid helium storage and transportation equipment in China, filled the domestic gap, and broken the technological monopoly of developed countries in the United States and Japan;

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

- Completed the research and development of the multi-functional integrated testing platform for liquid hydrogen to facilitate the technological development of liquid hydrogen storage and transportation equipment;

- Completed the research and development of ultra-high pressure 103MPa hydrogen storage containers and 30MPa hydrogen tube bundle vessels reaching the international leading level;

- The enterprise standard of liquid hydrogen fixed tank passed the compliance review of the Cryogenic Branch of China National Standardization Committee on Pressure Vessels and was released; Significant progress has been made in the research and development of liquid hydrogen tankers and spherical tanks;

The development of these innovative products has fostered new growth driver and increased the influence of the segment in the industry.

Sales and Marketing

The Group's clean energy segment has established sales offices in China, Southeast Asia and North America and branch companies in the United States and Singapore engaged in relevant businesses. The cryogenic, medium-pressure and high-pressure equipment products of this segment are mainly sold under the brand names "Enric", "Sanctum", "Hongtu", "CIMC Tank" and "Cryobest"; the brand names of liquefied engineering projects and EPC project engineering services are "Hashenleng" and "YPDI", respectively; the brand name of marine gas products and engineering services is "CIMC SOE"; the hydrogen energy equipment products and project engineering services are mainly sold under the self-owned brands "Enric" and "CIMC Hydrogen"; the Internet of Things intelligent operation and management platform is mainly sold under the brand name "Anjiehui". Our customers are renowned domestic and overseas companies such as PetroChina, Sinopec, China Energy Group, ENN Group, Shenzhen Gas, China Resources Gas, Towngas China, Sinotruk, Dongfeng Motor, Foton Daimler, Faw Group, Avenir LNG and Wartsila.

Customer service

The Group always attaches great importance to and maintains the long-term relationship with customers, and is committed to ensuring the safe and efficient operation of all kinds of clean energy equipment products and devices provided for customers. Adhering to the concept of "providing services for customers throughout the whole life cycle", the Group has established various regional service centers (stations) or cooperative service outlets according to the regional layout of customers, products and devices to ensure 7×24 hours all weather services with technical guidance, installation and commissioning, rapid maintenance, application training and other technical service support in a prompt, convenient and efficient manner, so as to ensure the safe operation of customers throughout the process.

In April 2021, we started to promote coordinated services, and a new service network based on integrated stations will follow the trend. Through the upgrading and expansion of the integrated stations, the scope of services and service capabilities were further enhanced, with 9 integrated stations located in 8 provinces, including Xinjiang, Shaanxi, Sichuan, Hunan, Jiangsu, Hebei, Liaoning and Heilongjiang. Together with the self-built or cooperative joint establishment of service stations by various major enterprises and social resources, the service products were expanded from after-sales services of high-pressure, medium-pressure and cryogenic series products under the brand of CIMC Enric to the whole process of supply guarantee, installation and commissioning, operation and maintenance of accessories until the provision of general contracting services. The safe, professional, efficient and integrated after-sales services make the services closer to customers, respond faster to customers and provide more convenient services. In the future, through service coordination, the Company will continue to promote the upgrading and expansion of after-sales services, promote the integration, coordination and sharing of after-sales service resources of energy equipment, and comprehensively build a comprehensive, professional and network service layout of "service base + regional (comprehensive) service center (station) + network service station (station)". The service in future will be better.

CHEMICAL AND ENVIRONMENTAL SEGMENT

Industry Overview

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. There has been organic growth and replacement growth in demand for tank container, the overall demand has maintained relatively stable even though annual demand may vary. In the long run, the demand for tank containers in emerging markets will gradually increase with the replacement and upgrading of traditional transportation methods in the local chemical industry and the high attention to the safe, green and efficient transportation of dangerous goods, which will promote the stable growth of the global tank container market. A safer, more economical, more environmentally friendly and more intelligent green logistics model will be the general trend. In addition, with the development of the chemical industry and the gradual increase in new chemical medium and derivative medium, the special tank container market is expected to have a significant growth.

In 2021, in general, opportunities and challenges coexist in the tank container industry. Although affected by factors such as the ongoing pandemic, rising freight rates and rising prices of bulk materials, the industry still achieved a strong recovery, and the market position of the segment as a global leader was further consolidated. At the same time, with the rapid promotion of the national strategy of "Belt ad Road Initiative" by the Chinese government, the re-layout of China's chemical industrial parks and the stricter supervision of standardized operation, the segment will further accelerate the layout of after-sales service outlets, which is conducive to improving the comprehensive competitiveness of its main business.

With an increasingly stringent policy on environment being imposed by the government in China, development of the industries dealing with water pollution, air pollution and solid wastes have been expedited, encouraging the development of the overall environmental protection industry. In addition, escalating effort has been putting in maintaining clean water, dealing with air pollution, soil pollution and industrial solid wastes in China for years, providing on-going favourable factors for the development of enterprises engaged in environmental related sector. According to the statistics from the Department of Science, Technology and Finance of the Ministry of Ecology and Environment, the operating revenue of the ecological and environmental protection industry (environmental governance) in 2020 was approximately RMB 1.95 trillion, and the growth rate of the environmental protection industry was much higher than that of the national economy during the same period.

The environmental industry that the segment is entering into is an emerging industry that integrates environmental protection equipment manufacturing, engineering and operation services and is closely related to the national economy and people's livelihood. In recent years, the whole society has continuously deepened its understanding of environmental protection and ecological civilization construction. The concept of "lucid waters and lush mountains are invaluable assets" has been deeply rooted in people's hearts. The Chinese government has actively launched a series of policies to encourage the development of the environmental industry and promote the comprehensive green transformation of economic and social development. On December 26, 2020, the Yangtze River Protection Law of the People's Republic of China was adopted at the twenty-fourth meeting of the 13th Standing Committee of the NPC, which came into effect on March 1, 2021. The Protection Law put forward a series of green development suggestions and requirements for local governments at all levels in the Yangtze River Basin. The Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Ecology and Environment and other three departments have recently jointly issued the "Action Plan for High-quality Development of the Environmental Protection Equipment Manufacturing Industry (2022–2025)". It is proposed that by 2025, the technical level of the environmental protection equipment manufacturing industry will be significantly improved, and breakthroughs will be made in a number of key weak technical equipment that restrict the development of the industry, and the supply capacity of high-efficiency and low-carbon environmental protection technology equipment products will be significantly improved, so as to fully meet the major environmental governance needs. The production value of the environmental protection equipment manufacturing industry will strive to reach RMB 1.3 trillion.

Logistics related policies

Time	Institution	Event/Document	Key contents
20 May 2020	National Development and Reform Commission, Ministry of Transport	"Implementation Opinion on Further Reducing Logistics Cost"	It pointed out to strengthen the integration with international standards, adapt to the development needs of multimodal transport, and promote the application of inland containers.

Environmental Policies

Time	Institution	Event/Document	Key contents
March 2020	General Office of the CPC Central Committee and General Office of the State Council	"Guiding Opinion on the Establishment of a Modern Environmental Governance System"	Enhancing proprietary innovation of critical environmental protection technologies and products to facilitate first set of demonstration applications and to improve the technical level of the industry at a faster pace. It pointed out to expand and strengthen leading enterprises, cultivate a number of professional backbone enterprises, and support a number of specialized and excellent small and medium-sized enterprises.
April 2020	The 17th meeting of the Standing Committee of the 13th National People's Congress	Revised the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	The State adopts economic and technical policies and measures that are conducive to the prevention and control of environmental pollution by solid waste, encourages and supports the relevant parties to adopt measures that are conducive to the prevention and control of environmental pollution by solid waste, strengthens the training and guidance of the personnel engaged in the prevention and control of environmental pollution by solid waste, and promotes the professional and large-scale development of the industry of prevention and control of environmental pollution by solid waste.

Time	Institution	Event/Document	Key contents
October 2020	The Fifth Plenary Session of the 19th CPC Central Committee	National nineteen Planning Bulletin	To continue to fight the battle against pollution with intensive effort, persisting in the stated direction without sparing effort and extending in depth and breadth in ongoing actions for the prevention and treatment of pollution.
June 2020	Ministry of Ecology and Environment	Administrative Measures for Environmental Permit for Hazardous Waste (Revised Draft) (Consultation Draft)	Strengthen the environmental supervision and management of hazardous waste collection, storage, utilization and disposal activities to prevent hazardous waste from polluting the environment.
November 2020	Ministry of Ecology and Environment	Directory of National Hazardous Wastes (2021 Version)	Implementing the newly revised supporting regulations of the Law on the Prevention and Control of Environmental Pollution by Solid Wastes to strengthen the prevention and control of hazardous waste pollution and protect the health of the public.
December 2020	13th Standing Committee of the NPC	Yangtze River Protection Law of the PRC	The most effective measures of "the strictest rule of law" implemented by Xi Jinping's thought on ecological civilization enabled all production and construction activities in the Yangtze River Basin to be legally regulated and strengthened administrative penalties and criminal sanctions.
January 2021	Ministry of Ecology and Environment	Notice on Strengthening the Identification of Hazardous Wastes (Consultation Draft)	Strengthen the environmental management of hazardous waste identification and standardize the management of hazardous waste identification units.
May 2021	State Council	Notice on Issuing the Implementation Plan for Strengthening the Supervision and Utilization of Hazardous Wastes	The regulatory system and mechanism for hazardous waste was further improved, and a linkage mechanism between safety supervision and environmental supervision was established.

Business Review

This segment specialises in the research and development, manufacture and sale of a wide range of tank containers for chemical liquids, liquefied gas and powder commodities. It also provides after-market services such as maintenance, cleaning, refurbishment and renovation for tank containers, and provides customised tank container intelligent services based on Internet of Things technology. This segment is also engaged in the manufacturing of special equipment for environmental protection, and related services for environmental protection, pollution control and resource recycling.

In 2021, under the gradual control of the COVID-19 pandemic, global trade began to rebound. Facing the rapid recovery of market demand, the segment seized market opportunities by vigorously promoting R & D and innovation, strengthening supply chain management, continuously improving capacity utilization rate, actively applying operating cost method, strengthening comprehensive budget management and other measures. During the year, the orders of standard tank containers and special tank containers increased significantly, the profitability remained relatively stable, and the operation continued to improve.

At the same time, the segment accelerated the extension of tank container manufacturing to service + intelligence, and actively expanded after-sales service and intelligent product business. This segment has set up several depots around logistics hubs or chemical clusters, and newly established CIMC Safeway Tank Container Service (Lianyungang) Co., Ltd. The segment also actively promotes the application of Internet of Things technology in the tank container industry, and has exclusively designed a smart sensor, digital display terminal and online monitoring platform for the whole life cycle monitoring, management and service integration of tank containers to create an intelligent element "Tankmiles" brand. It has successfully developed a number of internationally renowned container leasing companies and operators, and has been well applied in the transportation of electrolyte for new energy batteries and raw materials for chip industry.

In terms of newly-entered environmental business, the first set of high-efficiency denitrification reactor independently developed by the Company was successfully applied during the year, laying a foundation for the expansion of environmental protection equipment and ancillary services business.

Future Plans and Strategies

With the recovery of the global economy, the market demand for tank containers will rebound significantly. In terms of the domestic market, the "the 14th Five-Year Development Guidelines of Chemical Industry Park and the Medium and Long-term Development Outlook 2035" issued by the Chemical Industry Park Working Committee of the China Petrochemical Federation in June 2021 proposed that China's chemical industry park will leap from standardized development to high-quality development, creating "five key projects" of industrial development improvement, green construction, intelligent construction, standardized construction and high-quality development demonstration of chemical industry park. The five world-class petrochemical industry clusters are basically shaped, and the focus is to cultivate 70 chemical industry parks with first-class competitiveness. This shows that the chemical industry in China is facing a period of opportunities for huge development, and the trend of concentration of chemical plant parks will not change in the future, which will bring opportunities for the Company's chemical tank container and after-sales service business.

This segment will continue to increase its investment in the research and development of technology around the strategic target of transforming and upgrading to the advanced manufacturing industry, and vigorously expand the application fields of tank containers while consolidating its leading position in the tank container market. Through the establishment of all-round and full life-cycle customer partnership, upgrading of production line manufacturing capacity, modularised operation and lean management, the segment further consolidated the comprehensive competitiveness of the tank container business and maintained its leading position in the industry. While consolidating the tank equipment manufacturing business, the segment actively improved the intelligence of products, and used the Internet of Things technology to help customers improve operational efficiency and realize intelligent logistics; accelerated the global layout of tank container after-sales services, provided customers with full life cycle services, further expanded the brand influence of the enterprise, enhanced the competitiveness of the enterprise, provided customers with better value-added experience services, and further improved customer satisfaction and loyalty.

This segment is entering the environmental industry – an emerging industry that integrates equipment manufacturing, engineering and operation services, which has large market potentials and considerable profitability. In particular, the field of industrial solid waste recycling and comprehensive utilisation, which has high entry barrier in terms of technology and qualification, presents an enormous potential for development.

The chemical and environmental segment of the Group will, based on the core competence of equipment manufacturing, take technological innovation in the field of environmental protection as its core competitiveness, and take industrial waste treatment business as the key development direction, establish the operation capability of the whole industry chain, focus on the two business dimensions of "waste recycling + ecological environment service", carry out large-scale, standardized and intensive development, and achieve leapfrog development of environmental business.

Research and Development

The chemical and environmental segment is committed to providing customers with new logistics solutions, focusing on the development of customised specialty products. In 2021, the Company successfully developed and iterated ISO tank containers, new anti-wave tank containers, logic control system tank containers, special Swapbody tank containers for high-viscosity materials. At the same time, in response to the rapid development of 5G and new energy, the Company developed a series of high-purity electronic medium-grade tank containers and won the Science and Technology Progress Award of Jiangsu Province this year. The products were favored by a number of international chip giants.

The segment is committed to developing intelligent tank containers, further improving the "Tankmiles" Internet of Things intelligent platform, and achieving safe, intelligent and transparent tank container monitoring and management. Meanwhile, the segment completed the development of a new electric heating system and achieved mass production.

The segment is committed to continuous innovation of new technologies, new materials and new processes, realizing the independent construction of a series of special coatings and rubber in the tank, and the development of a powder coating process that replaces oil-based paint with ultra-low VOC emission. We conducted analysis on the application of environmentally friendly insulation materials and high-strength materials to provide customers with a variety of choices.

The segment is committed to the upgrading and construction of automated and digital factories, and strengthening the research and development of a series of specialized machines and supporting processes. While ensuring the absolute leading production capacity of tank containers, we will further improve the quality of products, the ability of rapid delivery, and the physical working atmosphere of employees. The segment successfully completed the Dream 6D project for the intelligent automation upgrade of the standard tank container production line, which shortened the time for auction and improved efficiency, resulting in a significant increase in production capacity.

Sales and marketing

The chemical and environmental segment has a sales company in Europe and sales offices in the UK. The products and services of this segment are sold under the brand names of "CIMC Tank" and "Tankmiles" which are sold worldwide. Major customers include container leasing companies such as EXSIF, Eurotainer, CS Leasing and operators such as STOLT, Den Hartogh and Milkyway.

Customer service

The chemical and environmental segment places a particular emphasis on full-life-cycle service for tank containers. While strengthening its equipment manufacturing business, the segment has also been engaged in vigorous expansion through the development of after-sales networks to provide customers with supply of parts and components, repair services, renovation and conversion on a global basis. On the other hand, the Group deepened the development of the "Internet of Things + Tank Container" business, and launched an integrated Internet of Things online platform for full life cycle monitoring, management and service of tank container products to provide customers with better services and intelligent solutions for the operational efficiency upgrade of tank container. In terms of environmental protection equipment manufacturing, the Company actively provided water and gas treatment equipment and system services for customers' technological upgrading and transformation.

LIQUID FOOD SEGMENT

Craft beer turnkey project

Brewery turnkey project

Juice tank

Distillery turnkey project

Pharmaceutical vessel

Industry Overview

In recent years, the liquid foods industry has been growing fast due to steady growth in population, increasing global prosperity, rising living standards and improving awareness of food safety and health.

The increase demand for more health conscious and quality beverages, i.e. product premiumization, are driving the innovation in the market for liquid foods processing equipment. According to the research report Global Beverage Processing Equipment Market by Type, Beverage Type, Mode of Operation and Region, the global beverage processing equipment market size is expected to reach US$26.4 billion by 2026, especially, the Asia-Pacific market (China and India) sees significant opportunities for development of beverage processing equipment, among other regions, holding high potential for new business growth.

In addition, the industry for Baijiu got Governmental approval in China for new investments to further improve the quality and automation in the industry. According to market data available via listed liquor companies, nearly 90 percent of the listed liquor companies are launching and implementing intelligent technological upgrading projects and laying out modern intelligent parks. There are 40 Baijiu equipment projects anticipated to be constructed for the period from 2020 to 2025, in which there are 26 Tech Transformation Projects and 14 New Factory Projects. The total investment for these projects is about RMB130 billion.

Business Review

The Group's liquid food business comprises several types, including beer, distilled spirits, juice, dairy and other liquid food. The Group is well positioned in the industry and management sees further opportunities for growth, even taking the ongoing effects of the Covid-19 pandemic into account.

2021 has been a challenging year, noting the ongoing impact of the pandemic on normal business and the international project execution of it. The Group had to cope with several countries (and factories) being in lockdown, travel restrictions, people being tested positive for COVID and put in quarantine and new projects being cancelled and/or postponed by customers.

Furthermore, the increased price of stainless steel and other materials, as well as increased global transportation expenses, supply chain difficulties and inflated energy costs, casted more pressure for our business development.

Even though, due to all of the encounters as described, 2021 is the year the segment achieved a solid profitability level. This is realized mainly thanks to our employees who were determined to execute large overseas projects, even if this meant to be put in quarantine and/or stay longer in the country to support the project execution at our customer's site. Next to this, the Group has shown further growth in the hiring of new talent and the strengthening of our management. The segment also has been able to secure a strong backlog per the end of 2021. New large/significant projects have been awarded for the upcoming years. In addition, the development of new markets, such as Baijiu, are ongoing and initial projects have been secured from the market. During the reporting period, the group won a bid for baijiu grain processing.

The ambition going forward is to further develop the EPC project offerings within the Group by focusing on the requirements of the customers and our competences for process equipment and turnkey projects in the liquid food industry, as well as the further diversification into new and/or adjacent industries; whether organically or via M&A.

For 2022, the management positions the business for long-term growth and prosperity, accelerating business transformation and focusing on the new skills the organization will need to thrive in the future.

Future Plans and Strategies

In the future, the liquid food segment will focus on global expansion and further strengthen its competitive position in the process equipment business by utilizing its core technology, skills, services and resources to enhance the development of EPC and turnkey services. The segment strives to strengthen its position as a leading player in the food & beverage industry, aspiring to become a global solutions partner for key customers in the industry.

Based on ongoing review of the development strategy, the liquid food segment is realizing a two-dimensional approach comprising vertical diversification to enhance its ability to offer turnkey solutions for the brewery/ distilling sector and horizontal diversification to expand into other non-beer liquid food businesses. For vertical diversification, the segment continues to enhance its capabilities to offer turnkey solutions for brewing/ distilling and strives to develop and deliver such services and products to our customers. For horizontal diversification, the segment strives to proactively develop businesses for other liquid food industries apart from beer, such as juice, hard seltzer, baijiu, and other growing markets. To serve the customers better, the segment will continue to provide the most reliable, economical and innovative products and total solutions to facilitate client's efficient, cost effective and sustainable production operations with the highest quality and most exacting safety standards.

Research & Development

The liquid food segment persists in innovation-driven development and delivers maximum value to customers by providing them with the most competitive equipment and engineering technology solutions, such as research and development of processes for fermented beverages, advanced raw material handling systems and applications for yield optimization. The segment has been continuously conducting research on enhancement of automated process control and energy efficiency of beer equipment and the application of nano-membrane in brewing. We are also focused on the development of more efficient means in the consumption of water, energy, and other resources to achieve production cost savings for customers.

Focus of our customers was not always given on capacity expansion but more on diversification. Breweries changed partially to beverage factories to be able to offer drinks to go or products for home usage instead of consumption in places like restaurants or bars. The segment followed this requirements with developing own processes for fermented beverages like e.g. hard seltzer, where significant orders could be executed. Furthermore new mix/blend applications are in execution, tailormade to support the diversification strategy of our customers. But such innovative solutions were not for industrial size applications only, also for customers in the craft market a membrane based application has been developed to generate gluten free base liquids for further processing.

Furthermore in almost all fields of activities, sustainability and circularity came more and more into the spotlight. Almost every new brewery installation was equipped with specific recovery units to design the process as energy efficient as possible and to reduce any kind of waste. With regard to raw material handling and yield optimization new approaches are in the final phase of product development to ensure an optimal usage of natural ingredients.

Sales & Marketing

The segment is one of the world's largest manufacturer of tanks and process equipment, with subsidiaries across China, Germany, Belgium, Canada and the UK, as well as representative offices in the USA, Thailand, Vietnam and Brazil. The Group provide through the brands Ziemann Holvrieka, Briggs of Burton, McMillan and DME Process Systems, equipment solutions, engineering support and project services for the liquid food industries. Core focus is on the design & manufacturing of turnkey breweries and distilleries, stainless steel process- & storage tanks and engineering solutions for leading global companies in the brewing, distilling, food & dairy, juice, pharmaceutical, health & beauty and biofuels industries. Major customers include global well-known beer companies, and customers from non-beer industry.

Customer Service

The technical knowledge of engineers in the segment paired with practical experience from countless projects makes the liquid food segment a strong and reliable partner. The Group delivers tailor-made services to help clients realize objectives in improving cost effectiveness and an increased efficiency/optimization of the production. Worldwide support is offered in a broad range of services, including (spare/replacement) parts, engineering, consultancy, operational assistance, maintenance service, control system support, periodical inspection service, staff training, upgrades and retrofitting of installations. All our services are delivered on a project or case-to-case basis.

Qualification

All accreditations and qualifications in quality manufacturing are subject to periodic review by industry bodies. The Group has secured such qualifications on a continuous basis on the back of advanced technology and stringent manufacturing process.

The Group possesses qualifications from both local and international industry authorities such as the American Society of Mechanical Engineers, the China Classification Society, the China Machinery Industry Federation, China's General Administration of Quality Supervision, Inspection and Quarantine, the TÜV NORD of Germany, the Ministry of Commerce, Industry and Energy of Korea, the National Board of Boiler and Pressure Vessel Inspectors of the United States, the Department of Transportation of the United States, the American Bureau of Shipping, Bureau Veritas of France, and the Lloyd's Register Group of the United Kingdom, as well as the ISO9001, ISO14001, OHSAS18001 certifications by the International Organization for Standardization, PED certification of the European Union, AD2000 certification of Germany and Epec certification of Sinopec.

With full respect and appreciation for intellectual properties, the Group possesses certain patented technologies in a number of countries to protect its invention and know-how. As at 31 December 2021, the Group held exclusive rights to over 1100 patents, including over 130 invention patents and 19 patents franchised by foreign parties. During 2020, we've also obtained 2 China Patent Excellence Awards. The high standard of our technological innovation has been underscored by the increasing percentage share by the year of our applications for invention patents.

Cost Control & Lean Management

The Group is committed to the continuous improvement of the regime for lean enhancement of the entire value chain, in an ongoing effort to improve the quality of operational management and increase cost efficiency. Specifically:

1. In 2021, we were focused on driving the development of lean ability for Optimization Never Ending ("ONE") as well as persisting in the implementation and sophistication of the Optimization Never Ending ("ONE") production model, optimisation of production technologies, production cost reduction and enhancement of product efficiency and quality. We also launched a lean enhancement and empowerment programme for all employees to promote the lean improvement concept among our staff.

2. The Company built a lean improvement demonstration line, adjusted the layout of production lines and improved bottleneck processes through value flow analysis to promote the improvement of production lines of the Company. In particular, Nantong Energy's i-Lend product line achieved a good effect of shortening the production cycle by 33% and improving the production efficiency by 15%, which provided a good reference for the optimization of production lines of the Company.

3. In the context of the national strategy of "carbon emission reduction and carbon neutrality", the Company organized 34 energy-saving and green development projects, and contributed nearly RMB 6 million in energy conservation and consumption reduction through energy structure adjustment, energy-saving control of key energy-consuming equipment and other means. The Group's HSE Committee actively organizes member companies to carry out HSE compliance investigation and rectification, focusing on hoisting operations and confined space operations to improve and eliminate hazardous hazards, strictly control major environmental risks, adhere to the red line of environmental compliance, and build a "healthy, happy, harmonious and decent" workplace environment.

4. The Company focused on promoting the internal and external benchmarking improvement of core products of key energy business, among which, 10 benchmarking of core product costs were carried out, 34 projects were carried out to improve profitability, with a cumulative cost reduction of over RMB 32 million. The gross profit margin of some products was effectively improved. At the same time, the Company actively explored the operation mode of product lines to enhance the overall competitiveness.

5. Through joint negotiation, new synergy, self-purchase strategy list management, technology standardization collaboration, new supplier development and other methods, the overall increase in bulk materials will reduce the cost by over RMB 65 million in 2021. (The Company pays close attention to the fluctuation of steel price, and ensures the gross profit of products by matching product price with steel price and locking steel price)

6. Upgrade the Company's supplier management system and improve risk control management. In 2021, the procurement risk control management platform was successfully launched, which further consolidated the business philosophy of sunshine procurement.

7. The digital supply chain management was further improved. In 2021, 9 enterprises launched SRM. The Company's bidding business basically achieved online bidding, effectively reducing costs by over RMB 6.72 million.

8. The Group achieved sound results in cost reduction in 2021. We will continue to closely monitor and improve production costs based on the lean improvement concept in 2022.

Revenue

During 2021, with novel coronavirus ("COVID-19") pandemic largely under control, China's domestic economy along with global economic activities and international trading activities recovered. Moreover, with many of the travel restrictions relaxed in the period, production process at our facilities as well as construction at client's properties were largely normalised, benefited from which, the Group's three business segments grew steadily during the period. As a result, the Group's consolidated revenue for 2021 rebounded by 49.9% to RMB18,424,763,000 (2020: RMB12,289,567,000). The performance of each segment is discussed below:

Driven by favourable government policies, the demand for energy transportation equipment and storage equipment increased significantly. The clean energy segment's revenue for 2021 surged by 38.8% to RMB9,716,085,000 (2020: RMB7,001,558,000). With the good control of the pandemic in the second quarter, China's social economy has grown rapidly, and strong internal demand promotes the consumption of coal, natural gas and electricity. Driven by this, the sales of LNG tank containers, LPG vehicles and spherical tanks increased. Due to the rapid development of the hydrogen energy industry, the demand for the Company's hydrogen storage and distribution equipments and hydrogen refueling station equipments and engineering projects increased. In 2021, the Company's hydrogen-related business grew by 37% year-on-year to RMB175 million. The segment remains the top grossing segment and contributed 52.7% (2020: 57.0%) of the Group's total revenue.

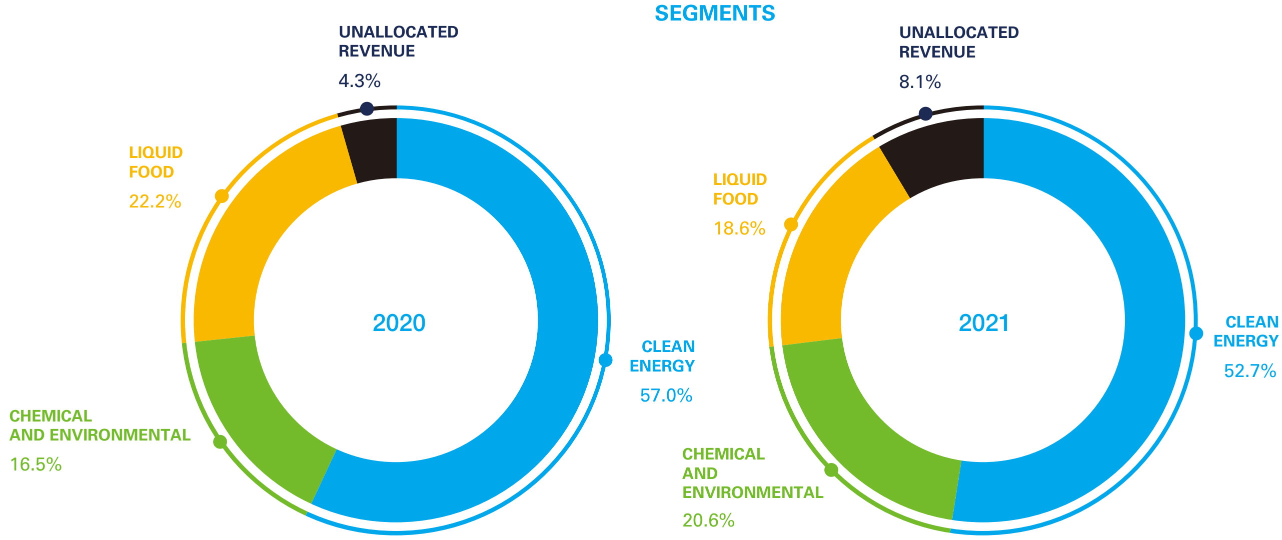
The recovery of international trade due to the relief of the COVID-19 pandemic and a significant increase in prices of chemicals and derivatives have spurred the demand for chemical tank containers in 2021; therefore, the chemical and environmental segment's revenue posted a surge of 87.2% to RMB3,793,827,000 (2020: RMB2,026,944,000). The segment made up 20.6% of the Group's total revenue (2020: 16.5%).

As COVID-19 pandemic related restrictions eased off in most countries during the year, the liquid food segment's operations (especially on-site construction works) had been mostly back on schedule. Moreover, benefiting from the increase of newly signed orders, the liquid food segment's revenue saw an increase of 25.4% to RMB3,420,465,000 during the year (2020:RMB2,727,872,000). The segment accounted for 18.6% of the Group's total revenue (2020: 22.2%).

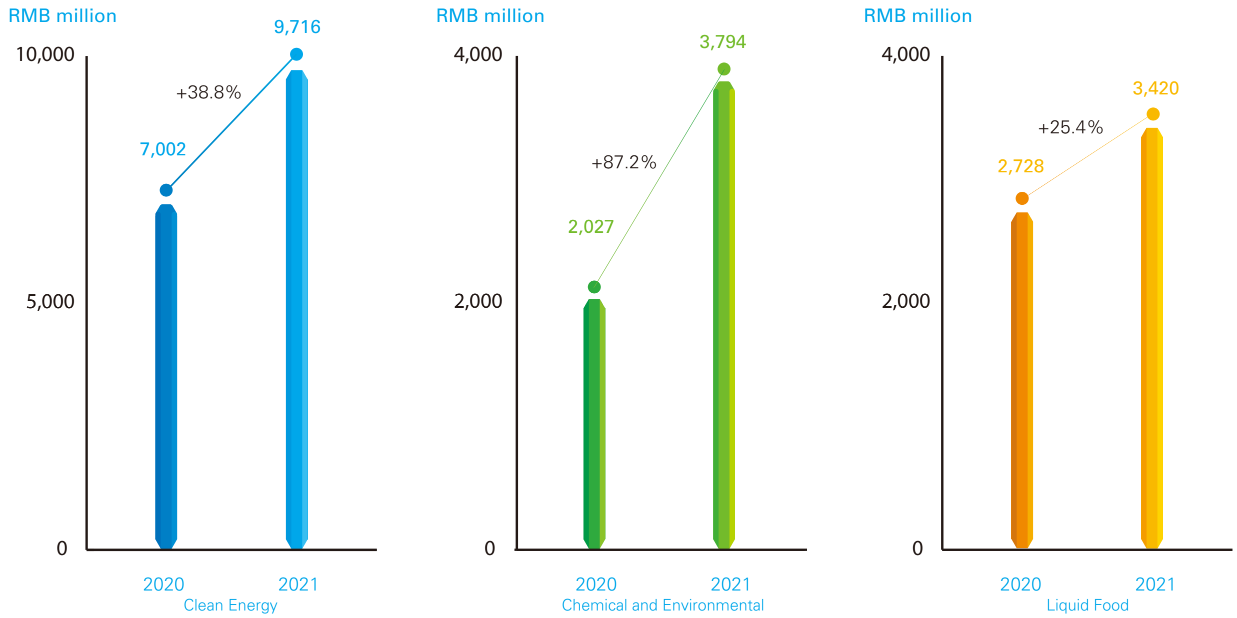
The accumulated new orders received by the end of 2021 for the Company was RMB21.3 billion, recorded a year over year growth rate of 50.1%. The new orders for each of Clean Energy, Chemical and Environmental and Liquid Food segment reached RMB11.4 billion, RMB5.1 billion and RMB4.8 billion, representing the year over year increase of 29.6%, 92.8% and 74.4% respectively. The new orders for Hydrogen business by the end of 2021 was RMB230 million.

The backlog orders received by the end of 2021 for the Company was RMB14.9 billion, recorded a year over year growth rate of 31.4%. The backlog orders for each of Clean Energy, Chemical and Environmental and Liquid Food segment reached RMB8.0 billion, RMB2.6 billion and RMB4.3 billion, representing the year over year increase of 14.2%, 85.1% and 46.9% respectively. The backlog orders for Hydrogen business by the end of 2021 was RMB130 million.

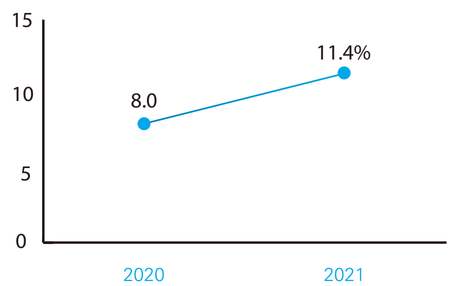
SALES BY BUSINESS SEGMENTS



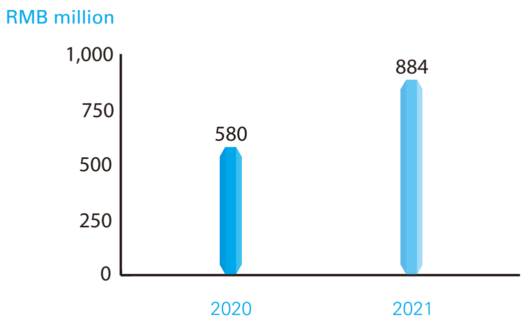
Segment Revenue



Return on net assets



Profit attributable to equity shareholders



Gross Profit Margin and Profitability

The clean energy segment's gross profit margin ("GP margin") declined slightly to 12.3% (2020: 13.2%), which was mainly due to increase in cost of raw materials. During the year, the GP margin of chemical and environmental segment declined to 14.4% (2020: 18.0%),which was mainly due to depreciation of USD against RMB and increase in cost of raw materials. As the segment's key products, tank containers, are mostly denominated in USD and its depreciation in turn lowers the revenue reported in RMB. On the other hand, the lack of completion of large project during the year and rise in cost of raw materials caused the GP margin of the liquid food segment to decline to 24.9% (2020: 28.4%). As all three segments' GP margin fell at varying degrees causing the Group's overall GP margin to decline by 2.3 percentage points to 14.7% (2020: 17.0%).

Profit from operations expressed as a percentage of revenue remained stable at 6.6% (2020: 6.6%), despite a decline in GP margin. This is because most expense items increased in a slower rate than that of revenue.

Other revenue totalling RMB230,600,000 in 2021 (2020: RMB225,868,000) consisted of bank interest income, government grants and other operating revenue. The rise in other revenue during the year was mainly caused by increase in interest income.

Selling expenses rose by 30.6% to RMB369,984,000 (2020: RMB283,205,000). Such expenses comprise provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increase mainly because of rebound in commission, advertising and promotion expenses due to increased level of promotional activities and business travelling following partial relaxation of COVID-19 pandemic related social distancing measures.

Administrative expenses rose by 15.8% to RMB1,428,300,000 (2020: RMB1,233,352,000) which was mainly due to the increase in salaries and wages, equity-settled share-based payment expenses and research and development spending.

Impairment loss on financial assets declined to RMB76,260,000 (2020: RMB128,562,000) as the recoverability of trade receivables has improved comparing with 2020 due to the gradual recovery of the global economy after easing of the COVID-19 pandemic.

Other net income of RMB131,552,000 in 2021 (2020: RMB112,775,000) comprised write-back of restructuring liabilities, foreign exchange loss, gain on settlement of derivative financial instruments, compensation received, write-back of payables and advances from customers, loss on disposal of property, plant and equipment, charitable donations and various miscellaneous income. The increased in other net income in 2021 was mainly due to the a drop in foreign exchange loss and increase in gain on settlement of derivative financial instruments which were largely offset by the decline in write-back of restructuring liabilities of a subsidiary (originated prior to its acquisition by the Group).

During 2021, finance costs increased by 57.4% to RMB70,425,000 (2020: RMB44,730,000). Finance costs mainly comprised interest on bank loans, loans from related parties and convertible bonds of RMB61,553,000 (2020: RMB37,007,000). The rise in interest expenses was mainly due to the increased level of bank loans and loans from related parties during the year.

Tax expenses for the Group rose by 11.6 % to RMB231,165,000 in 2021 (2020:RMB207,051,000). This rise was mainly due to increase profit before taxation.

Liquidity and Financial Resources

At 31 December 2021, the cash and cash equivalents of the Group amounted to RMB3,173,351,000 (2020: RMB2,560,890,000). A portion of the Group's bank deposits totalling RMB437,129,000 (2020: RMB309,498,000), 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 2021, the Group's bank loans and overdrafts amounted to RMB250,235,000 (2020: RMB295,937,000) and other than the three-year bank loans, 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 1.54% to 4.45% per annum (2020: 1.75% to 4.5%). At 31 December 2021, the Group did not have any secured bank loan (2020: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2020: nil). As at 31 December 2021, loans from related parties amounted to RMB357,147,000 (2020: RMB667,506,000), which are unsecured, interest bearing from 3.8% to 4.75% per annum (2020: 3.8% to 4.75%) and repayable from within one year to four years.

On 30 November 2021, the Group issued zero-coupon convertible bonds in the aggregate principal amount of HKD1,680,000,000 and are due 2026. The bonds may be converted into shares of the Company at an initial conversion price of HKD11.78 per share and assuming full conversion, the bonds will be convertible into 142,614,601 shares. At 31 December 2021, the carrying amount of the bonds amounted to RMB1,234,980,000.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2020: zero times) as the Group retained a net cash balance of RMB1,757,260,000 (2020:RMB1,857,297,000). The decreased in net cash balance was mainly attributable to decrease in operating cash inflow and an increase in investing outflow which partially offset by the increase in financing inflow during the year. The Group's interest coverage was 19.5 times for the year (2020: 23.1 times), which represents a decline that was mainly due to a higher 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 2021, net cash generated from operating activities amounted to RMB434,651,000 (2020: RMB960,082,000). The Group drew bank loans and loans from related parties totaling RMB2,982,453,000 (2020: RMB3,126,913,000) and repaid RMB3,334,235,000 (2020:RMB3,131,552,000). Moreover, the issuance of convertible bonds on 30 November 2021 generated net proceeds of RMB1,356,104,000. In addition, cash proceeds were recorded from the issuance of ordinary shares on exercise of share options of RMB38,812,000 (2020:RMB1,240,000) and from disposal of unvested shares under the 2018 Restricted Share Award Scheme of RMB102,782,000 (2020: nil) respectively. In 2021, a final dividend of approximately RMB235,891,000 (2020: RMB364,380,000 was paid for the financial year 2019) was paid for the financial year of 2020.

Assets and Liabilities

At 31 December 2021, total assets of the Group amounted to RMB19,024,673,000 (2020: RMB16,074,720,000) while total liabilities were RMB10,524,996,000 (2020:RMB8,603,362,000). The net asset value rose by 13.8% to RMB8,499,677,000 (2020:RMB7,471,358,000) which was mainly attributable to net profit RMB908,392,000 which was partially offset by dividend pay-out of RMB235,891,000. As a result, the net asset value per share increased from RMB3.715 at 31 December 2020 to RMB4.192 at 31 December 2021.

Contingent Liabilities

As at 31 December 2021, the Group had outstanding performance guarantees issued by relevant banks totalling RMB1,335,928,000 (31 December 2020: RMB771,653,000). Apart from these, the Group did not have other material contingent liabilities.

Future Plans for Source of Funding and Capital Commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by external borrowings (such as bank loans, related party loans and convertible bonds). At the same time, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As at 31 December 2021, the Group had contracted but not provided for capital commitments of RMB49,394,000 (2020:RMB40,049,000). As of 31 December 2021, the Group did not have any authorised but not contracted for capital commitments (31 December 2020: nil).

Foreign Exchange Exposure

The Group is exposed to foreign currency risk primarily through trade transactions that are denominated in currencies other than its functional currency. The currencies giving rise to this risk to the Group are primarily US dollar and Euro. The Group continuously monitors its foreign exchange exposure and controls such exposure by conducting its business activities and raising funds primarily in the denominations of its principal operating assets and revenue. Moreover, if necessary, the Group can enter into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

Capital Expenditure

In 2021, the Group invested RMB986,909,000 (2020: RMB628,590,000) 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 RMB695,740,000, RMB100,539,000 and RMB44,751,000 respectively (2020: RMB162,213,000, RMB113,538,000 and RMB73,213,000 respectively) in this regard during the year. In addition, the Group had capital expenditure of RMB145,879,000 (2020:RMB144,333,000) that was not specific to any of the three business segments.

Employees and Remuneration Policies

As at 31 December 2021, the total number of employees of the Group was approximately 9,900 (2020: approximately 9,900). Total staff costs (including Directors' emoluments retirement benefits scheme contributions and equity-settled share-based payment expenses) were approximately RMB1,845,566,000 (2020: RMB1,632,381,000).

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.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Gao Xiang

Chairman and Non-executive Director and chairman of Nomination Committee and Sustainable Committee

Mr. Gao, aged 57, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009, was re-designated to be the Chairman of the Board from the General Manger in April 2015, and was re-designated to be a Non-executive Director of the Company in January 2021. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was an assistant to the president of CIMC from 2004 to 2008, was a vice president of CIMC from 2015 to May 2018, was an executive vice president of CIMC from May 2018 to August 2020 and was a director of CIMC from October 2020 to March 2021. He is currently the president of CIMC. He also holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Yang Xiaohu

General Manager and Executive Director, a member of Sustainable Committee

Mr. Yang, aged 47, was appointed as an Executive Director and general manager on 27 October 2017. He graduated in Huazhong University of Science and Technology (華中科技大學), majoring in vessel and marine engineering, and EMBA of China Europe International Business School. Mr. Yang joined CIMC as an officer of the quality control department of Shanghai CIMC Reefer Containers Co., Ltd. from 1997 to 1999, and was a sales manager of CIMC Group's container operation department from 2000 to 2009. He was a deputy general manager of the Company's sales and marketing department from April 2009 to April 2012, was an assistant to general manager of the Company from May 2012 to March 2015. He served as general manager from April 2015 to January 2018 and is currently the chairman of the board of中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐式儲運設備製造有限公司, a wholly-owed subsidiary of the Company). Mr. Yang was a deputy general manager of the Company from April 2015 to October 2017. He has been the vice president of China Container Industry Association since 2019. He holds directorships in certain subsidiaries of the Company.

Mr. Yu Yuqun

Non-executive Director, a member of Sustainable Committee

Mr. Yu, aged 56, joined the Group as an Executive Director in September 2007 and was re-designated to be a Non-executive Director on 5 September 2016. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu joined CIMC in 1992, he is currently the vice president of CIMC, and responsible for capital market and financial leasing business. Mr. Yu was a company secretary of CIMC from October 2012 to March 2021. He is currently an independent non-executive director of IMEIK Technology Development Co., Ltd. (shares of which are listed on ChiNext Market of Shenzhen Stock Exchange). He holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Wang Yu

Non-executive Director

Mr. Wang, aged 49, was appointed as a Non-executive Director on 5 September 2016. He graduated from Dalian Maritime University with Bachelor of Engineering (Transportation Management) in 1993 and Master of Laws (International Economic Law) in 1996. He worked in the legal affair department of China Ocean Shipping (Group) Company from 1996 to 2000 and America International Data Group's branch in China (美國國際數據集團（中國）公 司) from 2001 to 2002. Mr. Wang joined CIMC in 2003, and has been the general manager of the legal department of CIMC since 2007. Mr. Wang is currently a non-executive director of CIMC Vehicles (Group) Co., Ltd. (shares of which are listed on the Main Board of the Stock Exchange). He holds a number of directorships in certain subsidiaries of CIMC. Mr. Wang was admitted as a lawyer in the People's Republic of China in 1997 and is currently a non-practising lawyer. Mr. Wang is also an arbitrator of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) (also known as Shenzhen Court of International Arbitration深圳國際仲裁院) and China International Economic and Trade Arbitration Commission.

Mr. Zeng Han

Non-executive Director and a member of remuneration committee

Mr. Zeng, aged 46, was appointed as a Non-executive Director on 18 May 2018. He graduated from Hangzhou Institute of Electronic Engineering with a bachelor's degree in July 1996, and later graduated from Jiangsu University of Science and Technology with a master's degree in management in June 1999. He joined CIMC in 1999 and has successively served as manager of the accounting division of the financial management department, assistant to the general manager, deputy general manager and executive general manager of financial management department. Mr. Zeng is currently the general manager of the financial management department and the chairman of the financial informationization decision-making committee of CIMC. He also held a concurrent post as manager of the financial department of the Company from 2009 to 2010. Mr. Zeng is a certified public accountant in China. He holds directorships in certain subsidiaries of CIMC and the Company.

Ms. Yien Yu Yu, Catherine

Independent Non-executive Director and chairperson of Audit Committee

Ms. Yien, aged 51, was appointed as an Independent Non-executive Director on 15 October 2018. She graduated from the Imperial College of Science, Technology and Medicine of University of London in England with a Joint Honours Degree in Mathematics with Management (BSc Hons). Ms. Yien was an independent non-executive director of ENN Energy Holdings Limited (shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited) from September 2004 to May 2016, and has been re-appointed as independent non-executive director of ENN Energy Holdings Limited on 30 November 2018. Ms. Yien Yu Yu, Catherine served as a member from July 2015 to July 2019 and a deputy chairman from July 2019 to July 2021 of the Listing Committee of the Main Board and GEM of the Stock Exchange and is currently a member of the Advisory Committee, and a managing director of Rothschild & Co Hong Kong Limited. Ms. Yien is a Chartered Financial Analyst and a fellow member of the Hong Kong Securities and Investment Institute and The Hong Kong Institute of Directors. She has extensive experience in the areas of corporate finance, capital markets, and mergers and acquisitions.

Mr. Tsui Kei Pang

Independent Non-executive Director, chairman of Remuneration Committee and a member of Audit Committee

Mr. Tsui, aged 61, was appointed as an Independent Non-executive Director on 11 November 2009. He obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui has been a Hong Kong practising solicitor for more than 25 years and is now a partner of Messrs. Anthony Siu & Co. He specialises in Hong Kong and China cross-border commercial legal services. He is also vice president of Association of China-Appointed Attesting Officers Limited and an honorary legal adviser of The Hong Kong Real Estate Association.

Mr. Zhang Xueqian

Independent Non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee

Mr. Zhang, aged 72, was appointed as an Independent Non-executive Director on 30 September 2010. He received a PhD degree in accounting from Xi'an Jiaotong University (西安交通大學) and a master's degree in economics from Wuhan University (武 漢 大 學). He is a registered accountant in the PRC. Presently, Mr. Zhang is a professor of the Business School of University of International Business and Economics (對外經濟貿易大學國際商學院) in the PRC, and was a former associate dean of the school. He was also a senior member of the Chinese Society of Technology and Economics (中國技術經濟研究會) and a researcher of Beijing Asia-Pacific Research Center of China Financial Accounting (北京亞太華夏財務會計研究中心). Mr. Zhang possesses strong academic background in accounting and finance.

Mr. Wang Caiyong

Independent Non-executive Director, a member of Audit Committee and Nomination Committee

Mr. Wang, aged 70, was appointed as an Independent Non-executive Director on 1 October 2018. He graduated from Fudan University (復旦大學), majoring in finance (correspondence course) in 1996 and completed the postgraduate study in finance at Beijing Technology and Business University in 2002. He is a registered accountant in the People's Republic of China (senior accountant). Mr. Wang was the deputy chief of the financial department of Dalian Maritime University from 1994 to 1995. Mr. Wang joined the head office of China Ocean Shipping (Group) Company (now known as China Cosco Shipping Corporation Limited) in 1995 and served as deputy general manager of supervisory department and head of auditing department; served as chief accountant of the head office of China Ocean Shipping Agency from 2000 to 2001; and served as chief accountant of Cosco Dalian Ocean Shipping Company from 2002, and retired in 2011. He was seconded to the supervisory board of the State Council from December 2001 for one year. Mr. Wang was also the deputy general secretary of China Institute of Internal Audit Transportation Branch from September 2011 to October 2014. He is currently the managing director of China Institute of Internal Audit and president of China Institute of Internal Audit Transportation Branch. Mr. Wang has won the 2006 China Excellent CFO Award.

Senior Management

Mr. Gao Wenbao

Deputy General Manager

Mr. Gao, aged 45, was appointed as a deputy general manager of the Company in January 2016. He graduated in Jilin University of Technology (吉林工業大學), majoring in machinery enterprise management. Mr. Gao worked first in the enterprise management department of Tianjin Xiali Automobile Engine Plant and then in the general manager's office in Tianjin Xiali Automobile Holdings Limited from August 1995 to September 2008, and was a manager of the enterprise management department, a manager of the human resources department and an assistant to general manager of Tianjin CIMC North Ocean Container Co., Ltd. from October 2000 to September 2009. He joined the Company in October 2009, and was a manager of the Company's enterprise management department and an assistant to general manager of the Company, have also served as the general manager of Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd (南通中集太平洋海洋工程有限公司, a wholly-owned subsidiary of the Company) since 2017. He is currently the general manager of offshore gas business center and the deputy general manager of hydrogen energy business center.

Mr. Ju Xiaofeng

Deputy General Manager

Mr. Ju, aged 53, was appointed as deputy general manager in January 2021. He gradated from Nantong University, majoring in mechanical design and obtained master degree of MBA of Nanjing University of Science & Technology. Mr. Ju worked in Nantong Electric Motor Factory from the period of 1989 to 1997. He joined the Group in March 1997 and served as deputy manager of production department and manager of enterprise management department of CIMC Nantong base, manager of enterprise management department of Taicang CIMC, general manager of enterprise management department of the Company, assistant to general manager and chief operation officer, and concurrently served as the general manager of the company's energy equipment and engineering business center since 2020. He was deputy general manager and executive deputy general manager of 中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐式儲運設備製造有限公司, a wholly-owed subsidiary of the Company) from the period of 2012 to 2014 , general manager of Nantong CIMC Energy Equipment Co., Ltd.(a wholly-owed subsidiary of the Company) from the period of 2015 to 2016. Mr. Ju is the vice president of China Industrial Gas Association, and is currently the deputy general manager of hydrogen energy business center. He also holds directorships in the certain subsidiaries of the Company.

Mr. Ko Brink

Deputy General Manager

Mr. Ko Brink, aged 55, was appointed as a deputy general manager of the Company in January 2019. He obtained a master's degree in Business Administration of the University of Groningen in the Netherlands. Mr. Ko Brink joined CIMC Group in 2007, joined the Company in 2009, and served as CEO of CIMC Enric Tank and Process B.V., a wholly-owned subsidiary of the Company in the Netherlands. He was appointed as CEO of Ziemann Holvrieka GmbH, a wholly-owned subsidiary of the Company in Germany. Mr. Ko Brink has over 30 years of experience in international capital goods market, and has extensive work experience in the US, Canada and the UK. He holds directorships in certain subsidiaries of the Company.

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 54, was appointed as a deputy general manager of the Company in May 2012, and also have served as chief officer of science and technology management department of the Company since January 2018. She has a senior engineering title and received a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院). Ms. Yang held various management positions in a subsidiary of XinAo Gas Holdings Limited (now known as ENN Energy Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange) from 2002 to 2005, and then joined the Group in March 2005. She was the general manager of Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司, a wholly-owned subsidiary of the Company) from January 2010 to December 2016. She is currently the general manager of hydrogen energy business center.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 50, is responsible for financial reporting, financial management, corporate finance and implementation of corporate governance practices of the Company. He resigned as the Company Secretary on 31 December 2021. Mr. Cheong obtained a bachelor's degree in business administration from Thames Valley University, the United Kingdom. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked for an international certified public accountants firm and has many years of experience in audit, financial reporting, financial management and corporate finance.

Ms. Zhong Yingxin

Company Secretary

Ms. Zhong, aged 45, was appointed as the Company Secretary on 31 December 2021. She is an Associate Member of The Hong Kong Chartered Governance Institute. Ms. Zhong graduated from Zhongnan University of Economics and Law and majored in Legal English and Economic Law and received Master's degrees in Management (Finance) and Business Administration from Macquarie University in Australia. Ms. Zhong also holds a Master's degree of Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Ms. Zhong joined the Company in year 2020 as the Deputy Head of Board Secretary Office and Investor Relations Director. Prior to joining the Company, Ms. Zhong worked in the several positions of Investor Relations and Investment Business Development in various listed companies with rich industrial and professional experience.

* for identification purpose only

CORPORATE GOVERNANCE REPORT

The Company understands that shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing shareholders' value and interests. The principles of the Company's corporate governance practices emphasise on an effective board, prudent risk management and internal control systems, transparency and quality disclosure, and, most importantly, accountability to shareholders.

Continued efforts have been undertaken in reviewing and enhancing the quality of corporate governance practices with reference to local and international standards. Since its listing on the Stock Exchange in October 2005, the Company has adopted the CG Code as its principal guideline in relation to corporate governance practices.

The following policies and guidelines in connection with corporate governance are periodically reviewed and constitute supplementary components in the Company's governance framework:

- Policy on the Appointment of Directors;
- Director and Senior Management Remuneration Policy;
- Roles and Responsibilities of the Board and Senior Management;
- Procedures for Directors to seek Independent Professional Advice;
- Division of Responsibilities between the Chairman and the General Manager of the Company;
- Procedures for Disclosure of Interests in Shares of the Company and its Associated Corporations;
- Code for Securities Transactions by Relevant Persons;
- Procedures for Shareholders to Propose a Person for Election as a Director;
- Shareholders' Communication Policy;
- Internal Whistleblowing Policy;
- Information Disclosure Policy;
- Board Diversity Policy;
- Nomination Policy; and
- Dividend Policy.

Throughout the year ended 31 December 2021, the Company complied with all the code provisions of the CG Code.

On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

Board of Directors

The board

The Board assumes the responsibility for leadership and control of the Group, and is collectively responsible for promoting the success of the Group.

Decisions which are taken by the Board include those relating to:

- long-term direction and objectives;
- strategic business development;
- corporate governance;
- risk management and internal control systems assessment;
- material financing projects;
- material acquisitions and disposals;
- interim and final results and dividends;
- connected and major transactions;
- appointments to the Board; and
- remuneration of the senior management.

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2021 and up to the date of this report, the Board, amongst others:

- reviewed the performance and formulated business strategies of the Group;
- reviewed and approved financial statements of the Group for the two years ended 31 December 2020 and 2021, and for the six months ended 30 June 2021 respectively;
- reviewed the effectiveness of risk management and internal control systems taken by the Group;
- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- Approved the formation of the hydrogen energy and distribution joint venture;
- Approved the proposed spin-off and separate A-share listing of CIMC Safeway Technology Co., Ltd. on the ChiNext market of the Shenzhen Stock Exchange;

Board of Directors *(Continued)*

The board *(Continued)*

- Approved the formation of joint venture for production of LNG and joint production of hydrogen from coke-oven gas;
- Approved the connected transaction in relation to the transfer of land parcels and acquisition of target assets;
- Approved the connected transaction in relation to disposal of equity interest in 中集集團財務有限公司 (CIMC Finance Company Limited);
- Approved the operating data and indicators for the third quarter of 2021, and the nine months ended 30 September 2021;
- Approved the continuing connected transaction in relation to revision of annual caps under (1) The Master Sales Agreement (2019) and (2) The Master Procurement Agreement (2019);
- Approved the issuance of HK$1,680,000,000 zero coupon convertible bonds due 2026;
- Approved the voluntary announcement in relation to acceptance by the Shenzhen Stock Exchange of the application for the A-Share Listing of CIMC Safeway Technology Co., Ltd.;
- Approved the change of company secretary, authorised representative and process agent; and
- Approved the continuing connected transaction in relation to revision of annual cap under the Financial Services Framework Agreement (2019)

The Board is also responsible for performing the corporate governance functions of the Company, including developing, reviewing and monitoring the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the code applicable to employees and Directors; reviewing the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

In 2021 and up to the date of this Report, the Board, among others, performed the following corporate governance functions:

- reviewed the disclosure in the Corporate Governance Reports set out in the Company's Annual Reports for 2020 and 2021 respectively.

Notice of a regular Board meeting is given to all Directors at least 14 days in advance. Directors are invited to include items which they wish to be included in the agenda for the same to be finalised and are given the relevant meeting papers at least three days prior to a Board or Board Committee meeting.

Directors are properly briefed on agenda items and provided with opportunities to raise questions or comment at meetings. Where necessary, professional advisers will be invited to attend the meeting to give expert advice and explanations to the Directors on agenda items.

Where a Director is unable to attend a meeting, he is advised of the matters to be discussed and encouraged to express his views to the Chairman or the Company Secretary (or his assistant) prior to the meeting.

The Chairman of the Company had met with Non-executive Directors (including Independent Non-executive Directors) from time to time without the Executive Director present during the year 2021.

Board of Directors *(Continued)*

The board *(Continued)*

As most of the Directors are on occasional, and sometimes unexpected, business trips and/or are stationed in different regions of China, it may, in practice, be inconvenient to convene a full Board meeting on a frequent basis. Hence, the Board may review and approve certain issues in form of a written resolution. Relevant reference materials regarding the resolutions to be passed will be circulated with the draft resolutions. Nevertheless, to decide on any matter in relation to a notifiable transaction, a Board meeting will be convened; and to decide on any matter in which a substantial shareholder or a Director has a material interest, a Board meeting will be held with the presence of Independent Non-executive Directors who, and whose associates, have no interest in such matter.

The Chairman and the senior management will ensure all Directors (including the Non-executive Directors) have access to adequate, complete and timely information so that they can make informed decisions and discharge their duties and responsibilities as Directors. Directors may request further briefing or explanation on any aspect of the Group's operations or business and seek advice from the Company Secretary or his assistant on company secretarial and regulatory matters, including board procedures and corporate governance practices. Where appropriate, they can also seek independent professional advice at the Company's expenses pursuant to the "Procedures for Directors to seek Independent Professional Advice" adopted by the Board.

The Company Secretary or her assistant is responsible for taking minutes of Board and Board Committee meetings. Draft minutes and written resolutions will be circulated to all Board members or Board Committee members for review and comment for a reasonable period. Final version of the minutes and written resolutions will be provided for record within a reasonable time (generally within 14 days after the meeting) and the signed copies are kept in the Company's minutes book maintained by the Company Secretary for Directors' inspection.

With a view to facilitating Directors' attendance at Board meetings and committee meetings as well as corporate events, the Company Secretary will seek advice from the Board and prepare an annual plan for the Board.

Chairman and general manager

The management of the Board and the day-to-day management of the Group's business are clearly divided and separately undertaken by the Chairman and the General Manager to ensure a balance of power and authority.

The roles of the Chairman and the General Manager are segregated with a clear division of responsibilities set out in writing. The Chairman is responsible for overseeing the effective functioning of the Board, setting the Group's strategies and direction, identifying business goals and the related business plans, monitoring the performance of senior management, and establishing good corporate governance practices. The General Manager focuses on leading the senior management to execute the strategies and plans set out by the Board and reporting to the Board on the Group's operation from time to time to ensure proper discharge of duties delegated by the Board.

Board composition

The Board consists of nine members of which four are Independent Non-executive Directors which constitutes one-third of the Board, bringing in a sufficient independent voice. The other members are one Executive Director and four Non-executive Directors. There is one female Director and eight male Directors.

Composition of the Board, by categories of directors, including names of the Chairman, Executive Director, Non-executive Directors and Independent Non-executive Directors, is identified in all corporate communications that require disclosure of director names.

Board of Directors *(Continued)*

Board composition *(Continued)*

The list of Directors and their roles and functions has been published on the websites of the Stock Exchange and the Company.

The Board members come from a wide range of professional and educational backgrounds, including legal, accounting and corporate finance, economics, academic, management and industry expertise. It brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 41 to 45 and on the Company's website.

The Company has received from each Independent Non-executive Director a written confirmation of his independence pursuant to the requirement of the Listing Rules. With reference to such confirmations, the Company, to its best knowledge, considers all the Independent Non-executive Directors fulfill the guidelines on independence as set out in Rule 3.13 of the Listing Rules and all to be independent.

No relationship (neither financial, business nor family) exists among members of the Board as at the date of this report.

Responsibilities of Directors

The Directors shall take decisions objectively in the best interests of the Group as a whole. They meet regularly to keep abreast of its conduct, business activities, operational performance and latest development. Details of Director's attendance at Board and Board Committee meetings and general meetings held in 2021 and in 2022 (up to the date of this report) are set out in the paragraph headed "Director's attendance" in this section.

The Independent Non-executive Directors are particularly responsible for bringing an independent judgement on the Board. They take the lead where potential conflicts of interests arise and monitor the Company's performance in achieving agreed corporate goals and objectives and the relevant reporting.

In relation to each connected transaction or other transaction of the Company that requires independent shareholders' approval, an independent board committee comprising Independent Non-executive Directors who have no interests therein will be formed to give independent opinion on the transaction.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company, upon their appointment, and in a timely manner for any change, their offices held in public companies or organisations and other significant commitments (if any). Information of Directors' office in other companies which is of significant nature is set out on pages 41 to 43 and on the Company's website.

The Company has issued and adopted it own Code for Securities Transactions by Relevant Persons as the code of conduct regarding dealing in securities of the Company by the Directors and specific employees of the Company or its subsidiaries who, because of his office or employment in the Company or such subsidiary, is or is likely to possess inside information in relation to the Company or its securities. Such code is on terms no less exacting than those set out in the Model Code.

Each Director is required to confirm with the Company in writing, twice a year, that he has complied with the Model Code. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2021.

Board of Directors *(Continued)*

Director's attendance

	No. of meetings attended during 2021					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General meetings
Non-executive Director						
Mr. Gao Xiang *(Chairman)*	9/9	–	–	1/1	1/1	2/2
Executive Director						
Mr. Yang Xiaohu *(General Manager)*	9/9	–	–	–	1/1	2/2
Non-executive Directors						
Mr. Yu Yuqun	9/9	–	–	–	1/1	0/2
Mr. Wang Yu	9/9	–	–	–	–	0/2
Mr. Zeng Han	9/9	–	2/2	–	–	0/2
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	9/9	6/6	–	–	–	2/2
Mr. Tsui Kei Pang	9/9	6/6	2/2	–	–	2/2
Mr. Zhang Xueqian	9/9	6/6	2/2	1/1	–	0/2
Mr. Wang Caiyong	9/9	6/6	–	1/1	–	0/2

	No. of meetings attended during 1 January 2022 to the date of this repot					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General meetings
Non-executive Director						
Mr. Gao Xiang *(Chairman)*	2/2	–	–	1/1	–	–
Executive Director						
Mr. Yang Xiaohu *(General Manager)*	2/2	–	–	–	–	–
Non-executive Directors						
Mr. Yu Yuqun	2/2	–	–	–	–	–
Mr. Wang Yu	2/2	–	–	–	–	–
Mr. Zeng Han	2/2	–	1/1	–	–	–
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	2/2	1/1	–	–	–	–
Mr. Tsui Kei Pang	2/2	1/1	1/1	–	–	–
Mr. Zhang Xueqian	2/2	1/1	1/1	1/1	–	–
Mr. Wang Caiyong	2/2	1/1	–	1/1	–	–

Board of Directors *(Continued)*

Directors' training and professional development

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company is responsible for arranging and funding suitable training for the Directors.

Newly-appointed Director will be briefed by the Company's legal advisor on director's responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances, the Listing Rules and the SFO). He will also be provided a memorandum on directors' duties and obligations which assists him in understanding his responsibilities as directors. The Chairman or the General Manager will give a general induction on the Group and the Company will provide relevant information and organise various activities, for example, plant visits, to ensure they properly understand the business and governance policies of the Company.

To update Directors' understanding of the Group's operations and business and refresh their knowledge and skills as directors, the Company provides with the Board materials on relevant regulation updates and on issues of significance or on new opportunities of the Group.

In 2021 and up to the date of this Report, the Company organised one seminar for the Directors relating to Interpretation and suggestions on the development trend of ESG and the new ESG regulations of the Hong Kong Stock Exchange of the year 2021. Nine Directors, namely Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu, Mr. Zeng Han, Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong attended the seminar in person. Due to their own professional capacities, individual Directors also participated in other training relating to the roles, functions and duties as a director of a listed company or further enhancement of their professional development. All the Directors had provided their training records for the year ended 31 December 2021 to the Company.

Appointments and Resignations of Directors

The Company has the "Policy on the Appointment of Directors" in place which is a formal, considered and transparent procedure for the appointment of Directors.

The Nomination Committee identifies and recommends to the Board of suitable candidates as Directors, taken into account various criteria such as their education, qualification and experience to determine whether their attributes are relevant to the business of the Group and can complement to the capabilities of existing Directors, having due regard for the benefits of diversity on the Board, and their independence (in the case of candidates as Independent Non-executive Directors). The committee also makes recommendations to the Board on matters relating to the re-appointment of and succession planning for Directors.

The Articles stipulate that all Directors are subject to retirement by rotation at least once every three years and retiring Directors are eligible for re-election at the AGM at which they retire.

All Non-executive Directors (including the Independent Non-executive Directors) are appointed for a specific term of three years, subject to retirement by rotation.

Board of Directors *(Continued)*

Nomination Policy

The Company has adopted "Nomination Policy" which sets out the selection criterial and nomination procedure of appointment of a director. Nomination Committee in assessing the suitability of a candidate include, inter alia, skills and experience, diversity, integrity and commitment.

Nomination Committee will review this policy from time to time, and monitor the implementation of this policy, to ensure the effectiveness of this policy.

Board Diversity Policy

The Company has adopted a "Board Diversity Policy" which sets out the approach to achieve diversity of the Board. The Company considers that having a diverse Board is of vital importance to the Company's business development. A summary of the Board Diversity Policy is set out below:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional qualifications and work experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, educational background, professional qualifications and work experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

There is one female Director of total nine Directors (11.11% of the female Director) and one female deputy general manager of total four deputy general managers of the Company (25% of the female deputy general manager). The Company will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels.

The Board will consider from time to time whether it should set any measurable objectives to facilitate the implementation of the policy.

Remuneration of Directors and Senior Management

The Company's policy on remuneration is to maintain fair and competitive packages under a formal and transparent procedure to attract, retain and motivate talents.

The key components of the remuneration package of Executive Directors and senior management of the Company include basic salary and management bonus. The remuneration packages of Non-executive Directors (including Independent Non-executive Directors) includes a fixed director's fee. Share options were granted as a long-term incentive to motivate Directors and senior management in pursuit of corporate goal and objectives.

The level of remuneration is mainly based on the experience, scope of duties, work performance and time committed to the Company, prevailing market rates, salaries paid by comparable companies and remuneration packages elsewhere in the Company and its subsidiaries.

Board of Directors *(Continued)*

Remuneration of Directors and Senior Management *(Continued)*

The Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The Company has established the "Director and Senior Management Remuneration Policy", a formal and transparent procedure for fixing remuneration packages of all Directors and senior management of the Company. The committee will review such policy periodically, and consult the Chairman and/or General Manager regarding proposed remuneration of other Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors in formal or informal meetings. No person shall be involved in deciding his own remuneration.

Details of the Remuneration Committee are set out in the section headed "Delegation by the Board" in this report.

Details of Directors' remuneration for the two years ended 31 December 2020 and 2021 respectively are listed out in note 10 to the financial statements.

The remuneration payable to the members of senior management of the Company fell within the following bands for the year 2021:

	Number of individuals
HKD 1,500,001 to HKD 2,000,000	2
HKD 2,000,001 to HKD 2,500,000	1
HKD 3,000,001 to HKD 3,500,000	1
HKD 7,500,001 to HKD 8,000,000	1

Delegation by the Board

Management functions

The Board gives clear directions as to the power delegated to the management for the administrative and management functions of the Company.

Division of functions reserved to the Board and those delegated to management are set out clearly in writing and will be reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the effective discharge of the Board's decision.

The senior management, led by the General Manager, is responsible for executing strategies and plans set out by the Board and reporting to the Board periodically to ensure proper execution. Functions and responsibilities of the Board are set out in the section headed "Board of Directors" in this report.

Delegation by the Board *(Continued)*

Board committees

To streamline its duties and uphold good corporate governance, the Board allocates certain of its executive and monitoring functions to four committees, namely the Audit Committee, the Remuneration Committee, Nomination Committee and sustainable committee.

Each of the committees has adopted clear written terms of reference setting out details of its authorities and duties and obligations on no less exacting terms than the CG Code to report its findings, decisions and recommendations to the Board. Full terms of reference of each of the committees have been published on the websites of the Stock Exchange and the Company.

In common with the Board, senior management will give adequate resources to the committees. The committees can also seek independent professional advice where necessary at the Company's expense and is supported by the Company Secretary.

Audit Committee

The Audit Committee is chaired by Ms. Yien Yu Yu, Catherine, who possesses professional accounting and financial qualifications. Its other members are Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong. All of the above four are Independent Non-executive Directors and none of them is a former partner of the external auditor of the Group. Its major responsibilities are:

- to oversee the relationship with the external auditor, including:

  (i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions of its resignation or dismissal;

  (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and

  (iii) developing and implementing policy on engaging the external auditor to supply non-audit services;

- to monitor the integrity of financial statements and reports of the Group and to review significant financial reporting judgements contained therein;

- to review the effectiveness of the Group's financial reporting system, risk management and internal control systems; and

- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action, and act as the key representative body for overseeing the Company's relations with the external auditor.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

The committee meets the external auditor and senior management of the Company regularly. During 2021 and up to the date of this report, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2021;
- the effectiveness of the financial reporting procedures and risk management and internal control systems of the Group for each of the year ended 31 December 2020 and the six months ended 30 June 2021, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2020, and the interim results for the six months ended 30 June 2021 with the external auditor;
- the continuing connected transactions of the Group during 2021 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- the compliance and enforcement of the deed of non-compete undertakings dated 1 June 2009 (the "Deed of Non-compete Undertakings" or the "Deed") made by CIMC in favour of the Company which was subject to annual review by the Independent Non-executive Directors thereunder;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of external auditor;
- the policy for provision of non-audit services by external auditor;
- the external auditor's management letters and the management's response thereto;
- the effectiveness of risk management and internal control systems of the Group for 2021 and the work plan for 2022; and
- the annual audit plan for 2021.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

In 2021 and up to the date of this Report, the Company engaged PricewaterhouseCoopers as the external auditor of the Group. PricewaterhouseCoopers and PwC network provided audit and non-audit services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Natural of Service	**Fees RMB'000**
– Audit services	7,993
– Non-audit services	5,106
Total	13,099

Remuneration Committee

The Remuneration Committee is chaired by Mr. Tsui Kei Pang, an Independent Non-executive Director. Its other members are Mr. Zeng Han, a Non-executive Director, and Mr. Zhang Xueqian, an Independent Non-executive Director.

It establishes and supervises a formal and transparent procedure for setting the Company's remuneration policies, including determining and reviewing the remuneration packages of Directors and senior management.

In 2021, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, considered, reviewed and made recommendations to the Board on the adoption of < Director and Senior Management Remuneration Policy (revised edition)>, remuneration packages of the Directors re-appointed and the other Directors (except the members of the Remuneration Committee), the adoption of share award scheme 2020-restricted share scheme implementation rules (2021–2023), adoption of a proposal of restricted share award scheme of a subsidiary.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Nomination Committee

The Nomination Committee is chaired by Mr. Gao Xiang, a Non-executive Director and chairman of the Board. Its other members are Mr. Zhang Xueqian and Mr. Wang Caiyong, both are Independent Non-executive Directors.

It identifies and recommends to the Board of suitable candidates as Directors, makes recommendations to the Board on matters relating to the appointment and re-appointment of and succession planning for Directors, and assesses the independence of Independent Non-executive Directors.

In 2021, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- considered the need for identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessed the independence of Independent Non-executive Directors;

- reported to the Board on re-appointment of Directors and the succession planning for Directors, in particular for the chairman of the Board and the General Manager;

- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2021, and made recommendation to the Board.

Sustainable Committee

The Sustainable Committee is chaired by Mr. Gao Xiang, a Non-executive Director and chairman of the Board. Its other members are Mr. Yang Xiaohu an Executive Director, and Mr. Yu Yuqun, a Non-executive Director.

Sustainable Committee establishes and recommends to the Board in relation to the Environmental, Social and Governance Report and Environmental, Social and Governance related matters.

In 2021, the Sustainable Committee had considered, reviewed and made recommendations to the Board the Environmental, Social and Corporate Governance Report 2020.

Company Secretary

Mr. Cheong Siu Fai, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accounts and a member of the Association of International Accountants in the United Kingdom, had served as the Company Secretary throughout the year 2021 and resigned with effect from 1 January 2022. All Directors have access to the advice and services of Mr. Cheong Siu Fai, the Company Secretary, through the year 2021. The Company Secretary reports to the Chairman and/or the General Manager on corporate governance matters, and is responsible for ensuring that Board procedures are followed, facilitating communications among Directors as well as with shareholders and management. During 2021, Mr. Cheong Siu Fai undertook over 15 hours of relevant professional training.

With effect from 1 January 2022, Ms. Zhong Yingxin was appointed as the Company Secretary. Ms. Zhong Yingxin is an Associate Member of The Hong Kong Chartered Governance Institute. Ms. Zhong Yingxin's biography is set out on page 45 under the section headed "Directors and Senior Management" and on the Company's website.

Accountability and Audit

Financial reporting

The Board is collectively responsible for ensuring a balanced, clear and understandable assessment of the Group's annual and interim reports and other financial disclosures and reports under statutory requirements.

In order to enable the Board to make an informed assessment of the financial and other information put before its approval, Executive Directors are provided with financial and other operational information and analytical review reports of the Group on a monthly basis. Management would also meet with Directors regularly to present the quarterly results and discuss any variance between the budget and the actual results for monitoring purpose. Moreover, all the Directors were provided with monthly update from the management, to enable them to assess the Company's operational performance and financial position in a timely manner.

The accounting and finance department of the Company, headed by the Financial Controller of the Company, is specifically responsible for the accounting and financial reporting functions of the Group and for coordinating and supervising the relevant departments of all the operating subsidiaries of the Company. A majority of the staff of such departments possess academic qualifications and extensive working experience in accounting and financial reporting. The Group provides continuous training seminars, on-the-job training and offers allowance for external training programmes by professional bodies to motivate the staff to enhance and refresh their knowledge on an on-going basis.

The annual and interim results of the Group are announced in a timely manner within three months and two months respectively after the end of the respective financial periods. The integrity of the financial statements is monitored by the Audit Committee. A statement of Directors' responsibility for financial statements is set out in the Directors' Report on page 48. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 85.

Accountability and Audit *(Continued)*

Risk management and Internal controls

Risk management and internal control is a process effected by an entity's board, management and other personnel to provide reasonable but not absolute assurance regarding the achievement of corporate objectives. The Group's risk management and internal control systems are established to manage rather than eliminate all risks of failure, to safeguard shareholders' investment and assets from misappropriation, to maintain proper accounts and to ensure compliance with regulations towards the achievement of the Group's objectives.

The Board has the responsibility to ensure that appropriate and effective risk management and internal control systems for evaluating and determining and the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives are established and maintained by the Group. The Board also has the responsibility to oversee management in the design, implementation and monitoring of the risk management and internal control systems, while management is responsible for providing confirmation to the Board on the effectiveness of these systems.

The Board has the responsibility to oversee the Company's risk management and internal control systems on an ongoing basis, and ensure to conducts regular reviews on the effectiveness of the Group's risk management and internal control systems every year and will execute relevant enhancement and rectification processes accordingly.

The internal audit division of the Company is responsible for monitoring the risk management and internal control systems of the Group. The internal auditor assessed and reported on the adequacy and effectiveness of the established risk management and internal control systems of the Group for the reporting year by performing comprehensive reviews and testing. No major deficiencies were identified in the reviews.

The Board has reviewed the "Report on the Effectiveness of Risk Management and Internal Control Systems" and the Group will put in place measures to strengthen and rectify its risk management and internal control system as recommended in the report. The Board acknowledges that the strengthening of risk management and internal control systems is a crucial and continual process and will conduct periodical review on the progress of such enhancement and rectification.

The Audit Committee plays an essential role in overseeing the Group's risk management and internal control systems. To ensure sufficient resources are provided for the Audit Committee to make informed decisions, information and assessment of financial and non-financial controls, management letters from the external auditor on matters identified during the course of statutory audit and review as well as the internal review report from the internal auditor were presented to the committee. The committee discusses with the management twice a year for ensuring that they have discharged their duty to establish and implement an effective risk management and internal control systems. The committee will report its findings and recommendations to the Board for consideration.

The Company has an Internal Whistleblowing Policy in place to enable employees to raise their concerns about any possible impropriety in financial reporting, internal control or other matters within the Group in confidence, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. An employee can raise his/her concern to the official channels such as the Legal and Compliance Department, the general manager's mailbox, and the reporting mailbox. The outcome of any investigation and follow-up action of all legitimate allegations will be reported to the Board by the Legal and Compliance Department.

Accountability and Audit *(Continued)*

Risk management and Internal controls *(Continued)*

Regarding the disclosure of inside information, the Company has a mechanism in place for monitoring its business development so that potential inside information can be promptly identified and escalated up for deciding whether an announcement should be made, as set out in the Company's Information Disclosure Policy which is available on the Company's website, in order to ensure compliance with the continuous obligations under the Listing Rules and the statutory obligation to disclose inside information under the SFO.

In determining whether certain information constitutes inside information, the Company adopts a bottom-up approach to escalate information about business developments of the organisation. The final decision on the outcome of inside information assessment shall rest with the Board. The Company designates the Chairman, the General Manager, the Financial Controller, the Company Secretary and Investor Relation delegates to speak on behalf of the Company when communicating with external parties such as investors, analysts or media. Furthermore, all Directors and relevant employees (as defined in the Listing Rules) of the Group are required to follow the Company's Code for Securities Transactions by Relevant Persons when dealing with the Company's securities.

The Directors confirmed that they had conducted reviews on the effectiveness of the risk management and internal control systems of the Group in accordance with the Listing Rules and the Group's operational procedure guidelines. The Board considered the risk management and internal control systems of the Group effective and adequate throughout the year.

Non-compete Undertakings

In order to protect the best interests of the Group and uphold the integrity of independence from its controlling shareholder, CIMC, the Company entered into the Deed of Non-compete Undertakings with CIMC on 1 June 2009.

CIMC has given to the Company a letter of annual declaration where it declared, to the best of the knowledge of its board of directors and management, that it had been in compliance with all the non-competition undertakings and all other provisions set out in the Deed throughout the year ended 31 December 2021.

After reviewing the annual declaration and relevant information provided by CIMC, the Independent Non-executive Directors were of the view, to the best of their knowledge, that proper compliance on and enforcement of the Deed of Non-compete Undertakings was in place throughout the year.

Details of the Deed are set out in the circular of the Company dated 3 June 2009.

Communication with Shareholders

Effective communication

The Board believes that effective communication of full and clear information of the Company is the key to enhance corporate governance standards and shareholders' confidence.

The Company holds conferences with analysts and the press to announce its annual results. In order to facilitate communication between the Company, shareholders and the investment community, the Directors and designated employees will maintain on-going dialogue with investors and analysts through one-on-one meetings, roadshows and marketing activities for investors.

The Company will keep the shareholders and the investment community informed of its latest development via various publications such as announcements, circulars, annual and interim reports and press releases, which are available on the Company's website in both English and Chinese.

An AGM provides a constructive forum to maintain regular and mutual communication with shareholders. The Company will arrange the chairman of the Board and the respective chairman or member(s) of each of the Board committees (including the Independent Board Committee, where applicable), or if failing so due to unexpected and/or uncontrollable reasons, his/their duly appointed delegate(s), to attend the general meetings to exchange views with shareholders and answer their questions. All Directors are encouraged to attend general meetings and develop a balance understanding of the view of shareholders.

The external auditor will also be invited to attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Separate resolutions are proposed on each substantially separate issue, including the election or re-election of each Director nominated.

To ensure the votes cast are properly counted and recorded, it is the practice of the Company to appoint representatives of its branch share registrar as scrutineer of the voting procedures in general meetings.

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

Shareholders' rights

Any shareholder is encouraged and entitled to attend all general meetings, provided that their shares have been recorded in the register of members of the Company. Prior notice of general meetings will be given to all registered shareholders by post at least 20 clear business days' notice for AGMs and at least 10 clear business days' notice for all other general meetings.

In general meetings, all resolutions will be put to vote by polls pursuant to the Listing Rules and the Articles. The chairman of a general meeting will explain the detailed procedures for conducting a poll at the commencement of a meeting and address queries from shareholders.

There are no provision allowing shareholders to propose new resolutions at the general meetings under The Companies Law of the Cayman Islands. However, shareholders can convene an EGM by following article 58 of the Articles. Pursuant to article 58 of the Articles, any shareholder(s) (at the date of deposit of requisition holding not less than 10% of the paid up capital of the Company carrying voting right at a general meeting) can require an EGM by sending a written requisition together with the proposed agenda items to the Board or the Company Secretary. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by him/them therefrom can be reimbursed by the Company.

Subject to the Articles and The Companies Law of the Cayman Islands, the Company may in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy on the Board, or as an addition to the existing Board. A shareholder may propose a person other than a director of the Company for election as a director at a general meeting. The "Procedures for Shareholders to propose a person for election as a Director" has been published on the Company's website.

Shareholders should direct their questions about their shareholdings to the Company's branch registrar in Hong Kong.

Shareholders may make enquiries with the Board at the general meetings. Alternatively, shareholders may at any time send their enquiries and concerns to the Board by addressing to the Company Secretary whose contact details are set out in "Investor relations contacts" hereafter in this section.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

General meetings held in 2021

In 2021, the Company held two general meetings, being AGM and EGM.

The AGM was held on 21 May 2021 at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong. Seven resolutions were proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. The major resolutions considered and approved included:

- receiving and considering the audited consolidated financial statements, directors' report and independent auditor's report for the year ended 31 December 2020;
- declaration of a final dividend in respect of year 2020 of HKD0.14 per share;
- re-election of the retiring Directors and authorising the Board to fix the remuneration of Directors;
- re-appointment of auditor and authorising the Board to fix the remuneration of auditor; and
- granting of general mandates to issue shares and to repurchase shares.

Full text of the above resolutions is set out in the notice of AGM of the Company dated 12 April 2021. The poll results of the AGM have been published on the websites of the Stock Exchange and the Company.

The EGM was held on 21 May 2021 at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong. One resolution was proposed in the meeting and all the votes were cast in favour of the resolution. The proposed resolution was therefore passed as ordinary resolution of the Company. The major resolution considered and approved included:

- To approve the spin-off of CIMC Safeway Technologies Co., Ltd* (中集安瑞環科技股份有限公司) (the "Spin-off Company"), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the shares of the Spin-off Company on a stock exchange in the People's Republic of China (the "Proposed Spin-off"); and to authorise any one director of the Company on behalf of the Company to do all such acts and sign all such documents and to enter into all such transactions and arrangements as may be necessary or expedient in order to ensure smooth implementation of and to give effect to the Proposed Spin-off.

Full text of the above resolution is set out in the notice of EGM of the Company dated 22 April 2021. The poll results of the EGM have been published on the websites of the Stock Exchange and the Company.

Investor Relations Contacts

The Company values feedbacks from shareholders, investors and the public. Enquiries and proposals are welcome and can be put to the Company via the following means:

By phone	:	(852) 2528 9386 (86) 755 2680 2329
By fax	:	(852) 2865 9877
By post	:	Unit 908, 9th Floor, Fairmont House, No. 8 Cotton Tree Drive, Central, Hong Kong
By email	:	ir@enric.com.hk

The latest investor relations information is available at the Company's investor relations portal at http://en.enricgroup.com/touzizhegoutong.

Changes of the Memorandum and Articles of Association

During the year ended 31 December 2021, no amendments were made to the Company's memorandum and articles of association. The latest consolidated version of the Company's memorandum and articles of association has been published on the websites of the Stock Exchange and the Company.

Subject to the Shareholders' approval by way of special resolution at the forthcoming Annual General Meeting to be held on 20 May 2022, the Company proposed to amend to Memorandum and Articles of Association for the purpose of (i) bringing the Memorandum and Articles of Association in line with the relevant requirements of the applicable laws of the Cayman Islands, the Listing Rules and the Companies Ordinance; (ii) providing flexibility to the Company in relation to the conduct of general meetings; and (iii) making other consequential and housekeeping amendments, and in view of the number of proposed changes.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 23 March 2022

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

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. Particulars of the Company's principal subsidiaries are set out in note 22 to the financial statements. A business review and further discussion and analysis of the principal activities can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report, which forms part of this directors' report.

Key financial and business performance indicators

The Group's key financial and business performance indicators comprise total assets growth, revenue growth, profit attribution to equity shareholders, return on equity and gearing ratio.

The Group's net assets increased by 13.8% to RMB8,499,677,000 (2020: RMB7,471,358,000) which was mainly attributable to net profit RMB908,392,000 which was partially offset by dividend pay-out of RMB235,891,000 for the year.

Revenue rose by 49.9% to RMB18,424,763,000 (2020: RMB12,289,567,000) which shows the Group's revenue generating ability has recovered along with the global economy due to easing of the COVID-19 pandemic.

Profit attributable to equity shareholder rose by 52.4% to RMB883,581,000 (2020: RMB579,923,000) indicates the Group has recovered the ability in enhancing equity shareholders' value comparing with last year.

Return on equity rose by 3.4 percentage points to 11.4% (2020: 8.0%) which indicates the Group has improved on its efficiency in using equity to generate profit.

Gearing ratio increased from 13.6% in 2020 to 21.7% in 2021 mainly because of the issuance of convertible bonds during the year. This indicates that during 2020 the Group had increased reliance on interest bearing debts in financing its business operations and investments when comparing with 2020.

Details of other key performance indicators are shown in "Financial Highlights" and "Financial Review" sections of this Annual Report.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators. During the year, the Company has complied, to the best of our knowledge, with the Companies Law of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, the SFO, and other relevant rules and regulations. Besides, the subsidiaries within the Group continue to comply with their applicable local laws. During the year, the Company was not aware of any particular law and regulation that would have a significant impact on the Group's operation.

Principal Activities and Business Review *(Continued)*

Principal risks and uncertainties

The Group operates as a manufacturer of specialised equipment and provider of project engineering services for energy, chemical and liquid food industries. The Group's normal course of business is exposed to a variety of key risks including credit, liquidity, interest rate and currency risks. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 5 to the financial statements.

The Group's business is also affected by the volatility or uncertainty of, externally (i) the macro-economic conditions in China and other global nations; (ii) the Chinese government's policies, especially natural gas pricing policies; (iii) the industrial development and market trends; and internally (i) the effectiveness of the Group's strategic plans; (ii) the effects generated from transactions; (iii) the Group's recruitment and retention of talents with relevant expertise and experience. In response to the above, the Group has formulated a range of plans and strategies as a whole and for each segment, details of which can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report.

Environmental policies and performance

The Group is committed to promoting green operation. The subsidiaries within the Group have implemented relevant environmental protection measures, and have developed new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. Internally, the Group encourages its employees to adopt environmentally responsible behavior to reduce use of resources, minimise waste and increase recycling.

The subsidiaries of the Company in China strictly comply with the country's environmental laws and regulations and were not aware of any material non-compliance with relevant standards, rules and regulations during the year.

Environmental, Social and Governance Report will be reported separately from this report and will be published within five months after the end of the financial year.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers, regulators and shareholders.

Employees

Employees are regarded as the most important and valuable assets of the Group. Apart from the compliance with relevant employment laws, the objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's customers come from energy, chemical and liquid food industries. The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Special focus has been devoted to the Group's after-sale services to maintain safe and efficient operation of the products for customers.

Principal Activities and Business Review *(Continued)*

Suppliers

Sound relationships with suppliers of the Group are important in the supply chain, which can derive cost effectiveness and foster long term business benefits. The Group has formulated criteria for selection of strategic suppliers, in terms of their product offers, operational scale and development strategies. Under a win-win objective, the Group has cooperated with strategic suppliers to achieve interactive learning and mutual support.

Regulators

The Company is listed in Hong Kong under the regulation of the Stock Exchange, SFC and other relevant authorities. It is the Group's desire to keep up to date and ensure compliance with new rules and regulations.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group targets to foster business development for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts, taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

Financial Statements

The Directors acknowledge that it is their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's profit or loss for the year then ended. In preparation of the financial statements, the Directors are required to:

(a) select appropriate accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;

(b) explain any significant departure from accounting standards; and

(c) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for employing reasonable procedures to prevent and detect fraud and other irregularities.

The profit of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at such date are set out in the financial statements on pages 90 to 97.

Dividends and Reserves

The Board is pleased to propose a final dividend in respect of 2021 of HKD0.21 per ordinary share (the "2021 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on 20 May 2022.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 40 to the financial statements and the consolidated statement of changes in equity.

Dividend Policy

The Company has adopted "Dividend Policy", under the policy, the dividends may be recommended, declared and paid to shareholders from time to time. The Board shall consider the following factors in relation to the dividend amount:

- the actual and expected financial performance of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future liquidity position and capital requirements of the Group; and
- any other factors the Board deems appropriate.

The Board of Directors proposed to keep a 40% payout ratio for the year 2021.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2021 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	5.6%	–
Five largest customers in aggregate	17.4%	–
The largest supplier	–	24.2%
Five largest suppliers in aggregate (Note 1)	–	34.0%

Notes:

1. One of the top five suppliers of the Group is a company in which CIMC, holding more than 5% of the issued shares of the Company as at 31 December 2021, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.

2. Save as disclosed above, at no time during the year have the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors own mare than 5% of the Company's share capital) had any interest in any of the five largest customers or suppliers of the Group.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 15 to the financial statements.

Retirement Schemes

The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. In Europe, the Group operates various qualified defined benefit pension plans which are funded through payments to insurance companies. Particulars of retirement benefits are set out in note 41 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB485,000 (2020: RMB533,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 40 to the financial statements.

Share Issued

During the year, the Company has issued shares as a result of the exercise of share options under the share option scheme of the Company, a total of 16,725,000 shares of the Company, fully paid, were issued for a total consideration of RMB38,780,000.

Details of the shares issued during the year are set out in note 40 to the financial statements.

Equity-linked Agreements

Save for the share option and share award schemes and the convertible bonds as set out on pages 73 to 79, and on pages 171 to 172 respectively, no equity-linked agreements were entered into by the Group, or existed during the year.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2021 are set out in note 30 to the financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

Directors

At the date of this report, the Board comprised:

Non-executive Director

Mr. Gao Xiang *(Chairman)*
Mr. Yu Yuqun
Mr. Wang Yu
Mr. Zeng Han

Executive Director

Mr. Yang Xiaohu *(General Manager)*

Independent Non-executive Directors

Ms. Yien Yu Yu Catherine
Mr. Tsui Kei Pang
Mr. Zhang Xueqian
Mr. Wang Caiyong

At the forthcoming AGM, Mr. Wang Yu, Ms. Yien Yu Yu, Catherine and Mr. Wang Caiyong will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Shares

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Interests in underlying shares pursuant to share options and the restricted share award scheme	% of issued share capital (Note)
Gao Xiang	Beneficial owner	1,100,000	0.05%
Yang Xiaohu	Beneficial owner	1,120,000	0.06%
Yu Yuqun	Beneficial owner	500,000	0.02%
Wang Yu	Beneficial owner	120,000	0.01%
Zeng Han	Beneficial owner	300,000	0.01%
Tsui Kei Pang	Beneficial owner	300,000	0.01%
Zhang Xueqian	Beneficial owner	300,000	0.01%

Note: The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2021, which was 2,027,719,588.

Save as disclosed above, as at 31 December 2021, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 31 December 2021, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2021, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Number of shares held	% of issued share capital (Note 1)
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Interest of controlled corporation	1,371,016,211 (Note 2) (L)	67.61%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 (Note 3) (L)	9.40%
	Beneficial owner	1,180,313,211 (Note 2) (L)	58.21%
	Interests held jointly with another person	80,000,000 (S)	3.95%
Charm Wise Limited	Beneficial owner	190,703,000 (Note 3) (L)	9.40%
朱雀基金管理有限公司	A concert party to an agreement to buy shares described in S.317(1)(a)	106,668,000 (L)	5.26%

Notes:

L – long position
S – short position

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2021, which was 2,027,719,588.

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

3. These ordinary shares comprise 190,703,000 ordinary shares held by Charm Wise. Charm Wise is wholly-owned subsidiary of CIMC.

Save as disclosed above, as at 31 December 2021, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company adopted the Share Option Scheme (the "Scheme") pursuant to an ordinary resolution passed at an EGM on 12 July 2006. Its purpose is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group.

On 28 October 2011, the Company granted share options to certain eligible persons to subscribe for a total of 38,200,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 450,000 number of these options were lapsed on the expiry date (27 October 2021).

Further, on 5 June 2014, the Company granted share options to certain eligible persons to subscribe for a total of 38,420,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. No share of these options were lapsed as at 31 December 2020.

All the above options granted were accepted by the respective participants.

During the year ended 31 December 2021, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2021	granted during the year	exercised during the year	lapsed during the year	transferred to/ from other category	outstanding at 31 December 2021
Directors								
Gao Xiang	28/10/2011	28/10/2013–27/10/2021	500,000	–	(500,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	28/10/2011	28/10/2013–27/10/2021	200,000	–	(200,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yu Yuqun	28/10/2011	28/10/2013–27/10/2021	300,000	–	(300,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	(300,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	(300,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			3,300,000	–	(1,600,000)	–	–	1,700,000
Employees	28/10/2011	28/10/2013–27/10/2021	13,364,000	–	(12,914,000)	(450,000)	–	–
	05/06/2014	05/06/2016–04/06/2024	25,870,000	–	(581,000)	–	–	25,289,000
Other participants	28/10/2011	28/10/2013–27/10/2021	1,610,000	–	(1,610,000)	–	–	–
	05/06/2014	05/06/2016–04/06/2024	4,490,000	–	(20,000)	–	–	4,470,000
Total			48,634,000	–	(16,725,000)	(450,000)	–	31,459,000

Share Options *(Continued)*

Notes:

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

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

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

   Subject to certain conditions as stated in the offer letter to the respective grantee, 40% of the options granted to any grantee become exercisable from 5 June 2016 and up to 4 June 2024; 30% of which become exercisable from 5 June 2017 and up to 4 June 2024; and the remaining 30% of which become exercisable from 5 June 2018 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per share.

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2021 was HKD7.62 per share.

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

The New Scheme has a term of 10 years and will expire on 19 May 2026, after which no further options will be granted. The purpose of the New Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants, and for such other purposes as the Board may approve from time to time.

The Board may, at its discretion, invite (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group and its associated companies and its jointly controlled entities and its related companies from time to time ("Enric Group"); (ii) any discretionary object of a discretionary trust established by any substantial Shareholder of the Company or any employee, executive or non-executive Director of any member of the Enric Group; (iii) any consultant, professional and other adviser to any member of the Enric Group; (iv) any chief executive or substantial shareholder of any member of the Enric Group; any associate of any Director, chief executive or substantial shareholder of any member of Enric Group; and (v) any employee (whether full-time or part-time) of substantial shareholder of any member of the Enric Group to take up options under New Scheme.

The share options under New Scheme are exercisable for a period to be notified by the Board to each participant, which shall not exceed 10 years from the date of grant. There is no minimum period which an option must be held before it can be exercised, but the Board is authorised to impose at its discretion any such minimum period at the date of grant. The exercise price of an option shall be at least the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average price of the closing prices of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five consecutive trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share.

Share Options *(Continued)*

The maximum number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company as at the date of adoption of the New Scheme. However, the Board may seek approval of the shareholders in general meeting for refreshing the 10% limit and/or for granting options beyond the 10% limit. Notwithstanding the refreshed limit and granting of options beyond the limit, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised must not exceed 30% of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Where further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total shares in issue, such further grant shall be subject to the shareholders' approval in general meeting with such participant and his associates abstaining from voting. Details of the New Scheme disclosed in the circular of the Company dated 6 April 2016.

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

As at the date of this report, 193,660,608 number of options, representing approximately 9.55% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total number of 225,119,608 Shares representing 11.10% of the issued share capital of the Company, are available for grant under the Scheme and New Scheme.

Saved as disclosed above, no options were granted, exercised, lapsed or cancelled for the year ended 31 December 2021.

Restricted Share Award Scheme (2018)

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

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

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

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

Restricted Share Award Scheme (2018) *(Continued)*

There were a total of 3,400,000 Restricted Shares have been allotted to the Directors of the Company during the year of 2018. The first vesting conditions had been fulfilled, there were a total of 1,020,000 restricted shares had been vested to the Directors of the Company during the year of 2019. The second vesting conditions had been fulfilled, there were a total of 1,020,000 restricted shares had been vested to the Directors of the Company during the year of 2020. As the third vesting conditions had not been fulfilled, the remaining 1,360,000 restricted shares would be retained as part of the trust and then sold in the market pursuant to the terms and conditions of Restricted Share Award Scheme (2018). As at 31 December 2021, the details as below:

		Number of Restricted Shares					
Name of Directors	Date of grant	As at 1 January 2021	granted during the year	Vested during the year	Cancelled During the year	As at 31 December 2021	Vesting Period
Gao Xiang	24 August 2018	400,000	–	–	(400,000)	–	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	480,000	–	–	(480,000)	–	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	160,000	–	–	(160,000)	–	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	160,000	–	–	(160,000)	–	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	160,000	–	–	(160,000)	–	26 June 2018 to 25 June 2022
Total		1,360,000	–	–	(1,360,000)	–	

Share Award Scheme 2020

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

	Share Award Scheme 2020
Purpose:	The purposes of the Award Scheme 2020 are (a) to provide eligible participants with an opportunity to own Shares in the Company thereby aligning the interests of the eligible participants with that of the Shareholders; (b) to incentivise eligible participants to benefit from value enhancement through delivery of performance targets; and (c) to encourage and retain Eligible Participants to make contributions to the long-term and sustainable growth of the Group. The Award Scheme 2020 forms part of the overall incentive plan for the employees of the Group. The Shares to be granted to Participants under the Award Scheme 2020 shall be in lieu of part of the cash bonus awarded under the overall incentive plan.
Term:	subject to any early termination of the Award Scheme 2020 in accordance with the Award Scheme 2020 Rules, the Award Scheme 2020 shall be valid and effective for a period of 10 years commencing from the adoption day of Award Scheme 2020.
Number of Shares:	The total number of Shares which may be purchased or issued pursuant to the Award Scheme 2020 shall not in aggregate exceed 2% of the Company's total number of issued Shares as at the adoption day of Award Scheme 2020 (i.e. maximum 40,209,691 Shares).
Maximum number of Shares that can be granted to eligible participants:	The maximum number of Shares which may be granted to a participant at any one time or in aggregate under the Award Scheme 2020 must not exceed 0.5% of the Company's total number of issued Shares as at the adoption date of Award Scheme 2020 (i.e. maximum 10,052,422 Shares).
Operation:	The trustee shall hold such Shares in accordance with the terms of the terms of the trust deed and shall transfer such Shares to the relevant participants after all the relevant vesting conditions are fulfilled.
Restrictions:	No grant and no issue and allotment of Shares shall be made by the Company, no payment shall be made and no instruction shall be given by the Company to the trustee to purchase Shares under the Award Scheme 2020 where any Director is in possession of Inside Information (as defined in the SFO) in relation to the Company or where dealings in the Shares are prohibited under all applicable laws, rules and regulations including without limitation the Listing Rules and/or the SFO. The transfer of vested Shares by the trustee to the relevant participants is not prohibited during such periods.
Vesting:	The vesting of the grant shares is always subject to the participant remaining as an eligible participant after the date of the grant and on the vesting date. Any Share held by the trustee on behalf of a participant pursuant to the Award Scheme 2020 rules shall vest in such participant in accordance with the vesting condition(s) or vesting schedule as determined by the Board from time to time under the Award Scheme 2020 rules.
Vesting Rights:	Trustee shall not exercise any voting rights in respect of any Shares held under the trust. No instruction as to voting may be given by any participant to the trustee in respect of the grant Shares prior to the vesting of such grant shares in the participant.

For the year ended 31 December 2021, 33,324,006 Shares were granted under Award Scheme 2020 on 17 November 2021.

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

Share Award Scheme 2020 *(Continued)*

There were a total of 4,800,001 shares have been granted to the Directors of the Company during the year of 2021, as at 31 December 2021. The details set out as below:

Name of the Director	Date of Grant	Number of shares As at 1 January 2021	Granted during the year	Vested during the year	As at 31 December 2021	Vesting period
Gao Xiang	17 November 2021	–	1,200,000	–	1,200,000	April 2022 to April 2024
Yang Xiaohu	17 November 2021	–	400,000	–	400,000	April 2022 to April 2024
Wang Yu	17 November 2021	–	600,000	–	600,000	April 2022 to April 2024
Zeng Han	17 November 2021	–	600,000	–	600,000	April 2022 to April 2024
Yu Yuqun	17 November 2021	–	800,001	–	800,001	April 2022 to April 2024
Tsui Kei Pang	17 November 2021	–	300,000	–	300,000	April 2022 to April 2024
Zhang Xueqian	17 November 2021	–	300,000	–	300,000	April 2022 to April 2024
Yien Yu Yu, Catherine	17 November 2021	–	300,000	–	300,000	April 2022 to April 2024
Wang Caiyong	17 November 2021	–	300,000	–	300,000	April 2022 to April 2024
Total			4,800,001		4,800,001	

Chemical and Environmental Business Unit Equity Incentive Scheme

The Company adopted Chemical and Environmental Business Unit Equity Incentive Scheme on 27 November 2020, to recognize past and present contributions and to incentivize the future contributions by the participants to the Chemical and Environmental Business Unit.

According to Chemical and Environmental Business Unit Equity Incentive Scheme, Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Zeng Han, Mr. Wang Yu, the Directors of the Company have subscribed for 0.33%, 2.19%, 0.13%, 0.13% and 0.13% share capital of CIMC Safeway Technology Co., Ltd. *中集安瑞環科技股份有限公司 respectively.

Directors' Interests in Competing Business

At the date of this report, no Director was interested in the business apart from the Group's business, which competes or may compete, either directly or indirectly, with the Group's business.

Permitted Indemnity Provision

The Company's articles of association provides that every Director is entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has purchased and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Connected Transactions and Interests in Contracts

Connected transactions and continuing connected transactions subject to annual review

During the year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review:

On 31 December 2019, the Company entered into Financial Services Framework Agreement (2019) with CIMC Finance Company Ltd. (中集集團財務有限公司, a wholly-owned subsidiary of CIMC, "CIMC Finance") as service provider and CIMC as guarantor under which CIMC Finance agreed to provide various financial services to the Group from 1 January 2020 to 31 December 2022. During the year, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB417,912,000, the interest income from deposits recognised by the Group was RMB3,922,000 and no service charge was incurred by the Group.

On 31 December 2019, the Company entered into Master Sales Agreement (2019) with CIMC under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the Group's sale to CIMC Group was RMB317,896,000.

On 31 December 2019, the Company entered into Master Processing Agreement (2019) with CIMC, whereby the CIMC Group agreed to provide processing services and other related services to the Group, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the processing service charge incurred by the Group was RMB19,146,000.

On 31 December 2019, the Company entered into Master Procurement Agreement (2019) with CIMC, whereby the Group agreed to procure various spare parts and/or raw materials from the CIMC Group, for a term of three years from 1 January 2020 to 31 December 2022 and the agreement. During the year, the Group's total purchase from CIMC Group was RMB419,639,000.

On 31 December 2019, the Company entered into Master Subcontracting Service Agreement (2019) with CIMC under which CIMC Group as service provider to provide subcontracting services to the Group, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the subcontracting service charge incurred by the Group was RMB255,946,000.

The Independent Non-executive Directors have reviewed the above transactions and confirmed that in their opinion the above transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transactions and Interests in Contracts *(Continued)*

Connected transactions and continuing connected transactions subject to annual review *(Continued)*

The Company's auditor was engaged to report on the above transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rules 14A.56. The auditor has the following conclusions in the letter on continuing connected transactions disclosed by the Group:

a. nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements and circular respectively dated 31 December 2019 and 4 November 2021 made by the Company in respect of each of the disclosed continuing connected transactions.

Note 45 to the financial statements set out the information regarding related party transactions prepared in accordance with the relevant accounting standards and these transactions are also connected transactions under Listing Rules. These transactions complied with requirements of the Listing Rules. Except for the financial statements were prepared applying merger accounting, certain connected transactions under Listing Rules are not related party transactions according to the relevant accounting standards.

Directors' interests in transactions, arrangement or contracts of significance

Save as disclosed above, no other transactions, arrangement or contracts of significance to which the Company or its subsidiaries or fellow subsidiaries or its parent company, was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed above, no other contracts of significance between the Company or its subsidiaries and the controlling shareholder or its subsidiaries subsisted at the end of the year or at any time during the year.

Note: CIMC is the holding company of Charm Wise and CIMC HK, which are substantial shareholder and controlling shareholder of the Company respectively.

Confirmation of Independence

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence and considered each of them independent to the Group pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance

The Company is committed to maintaining a high level of corporate governance practices.

The Company's corporate governance report is set out on pages 46 to 65. Details of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are 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 2021.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2021 Final Dividend, the register of members of the Company will be closed from Monday, 30 May 2022 to Monday, 6 June 2022 (both days inclusive). In order to qualify for the 2021 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 27 May 2022.

Subject to the approval by shareholders at the AGM to be held on 20 May 2022, the 2021 Final Dividend will be paid in cash on or about 28 June 2022 to shareholders whose names appear on the register of members of the Company on 6 June 2022 (the "Record Date")

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, 16 May 2022 to Friday, 20 May 2022 (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, 13 May 2022.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2021 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 2021 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 2021 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2021 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 27 May 2022.

With respect to individual investors of Shenzhen-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2021 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 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.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2021 Final Dividend *(Continued)*

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.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has, during the year and up to the date of this report, maintained a public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

During the year, the trustee of the Award Scheme 2020 purchased on the Stock Exchange a total of 39,198,000 shares for a total consideration of approximately HKD141,808,518 (equivalent to approximately RMB114,546,460) pursuant to the terms of the trust deed under the Award Scheme 2020.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Auditor

The financial statements for the year have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 23 March 2022

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of CIMC Enric Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 90 to 195, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of trade receivables
- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 2(h)(iv) of accounting policy of impairment of financial assets, Note 3(a) – Accounting estimates and judgements, Note 5(a)(ii) – Impairment of financial assets and Note 25 – Trade and bills receivables to the consolidated financial statements. As at 31 December 2021, the carrying amount of trade receivables amounted to Renminbi ("RMB") 2,538,018,000 (after a provision of RMB295,096,000), representing approximately 13% of the Group's total assets. Loss allowances for trade receivables are determined based on management's assessment on the lifetime expected credit losses of trade receivables (the "ECL assessment"). For the ECL assessment, the management estimated the expected credit losses to be incurred by considering the historical credit loss rates, past collection information and ageing profiles of trade receivables, with an adjustment to reflect both the current conditions and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (the "forward-looking factors"). We focused on this area due to the significance of the trade receivables balance and the significant judgements and estimates involved in the ECL assessment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over the ECL assessment. Those controls were related to identification of impaired receivables and the quantification and recording of impairment provisions. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, and changes due to management bias or fraud. (ii) We tested the accuracy of ageing profiles of receivable balances prepared by management on a sample basis. (iii) We assessed the expected credit losses by verifying the relevant supporting evidence, including historical credit loss rates, past collection information, ageing profiles of trade receivables, business performance, financial capability of these customers and the forecast market conditions. (iv) We examined samples of receivables which had been identified as impaired by management and assessed whether the management judgement made was appropriate, including assessing the appropriateness of the Group's grouping of receivable balances and calculation of the expected credit losses. Based on our work performed, we found that management's judgement on the estimates used in the ECL assessment of trade receivables was supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	
Refer to Note 2(p) of accounting policy of impairment of non-financial assets, Note 3(b) – Accounting estimates and judgements and Note 23 – Goodwill to the consolidated financial statements. As at 31 December 2021, the carrying amount of goodwill of the Group amounted to RMB256,671,000, which arose from acquisitions undertaken in previous years, and was allocated to the Group's cash-generating units ("CGUs"). The accumulated impairment provision of goodwill of the Group amounted to RMB108,224,000. Management conducted an impairment review by comparing the recoverable amounts of the goodwill, estimated based on fair value less costs of disposal or value-in-use calculations (whichever is the higher), against their respective carrying values. The key assumptions adopted by management in the cash flow forecasts included future revenue growth rates, gross margins and discount rates. We focused on this area due to the fact that significant judgements and estimates were involved in identification of CGUs and assessing the key assumptions of goodwill impairment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over management's goodwill impairment assessment, including the adoption of key assumptions and the review and approval of impairment provision, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We obtained management's worksheets of impairment of goodwill and tested the mathematical accuracy of the calculations. (iii) We assessed whether the identification of CGUs and allocation of goodwill for impairment assessment aligned with our understanding of the Group's business activities. (iv) We compared the historical actual results to prior year budgets and forecasts to assess whether there are management bias in the process. (v) We analysed and assessed the reasonableness of management's assumptions of future revenue growth rates and gross margins by considering the historical operating results and latest market conditions. (vi) We evaluated the appropriateness of the discount rates adopted by management by involving our internal valuation experts. (vii) We evaluated the sensitivity analysis prepared by management on the key assumptions, and assessed the potential impact of a range of possible outcomes. Based on our work performed, we found that management's key assumptions on goodwill impairment assessment was supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6&14	**18,424,763**	12,289,567
Cost of sales		**(15,718,761)**	(10,194,844)
Gross profit		**2,706,002**	2,094,723
Change in fair value of financial instruments		**18,949**	23,744
Other revenue	7	**230,600**	225,868
Other income, net	7	**131,552**	112,775
Net impairment loss on financial assets	8(d)	**(76,260)**	(128,562)
Selling expenses		**(369,984)**	(283,205)
Administrative expenses		**(1,428,300)**	(1,233,352)
Profit from operations		**1,212,559**	811,991
Finance costs	8(a)	**(70,425)**	(44,730)
Share of post-tax profit of associates	21	**(2,577)**	5,998
Profit before taxation	8	**1,139,557**	773,259
Income tax expenses	9	**(231,165)**	(207,051)
Profit for the year		**908,392**	566,208
Attributable to:			
Equity shareholders of the Company		**883,581**	579,923
Non-controlling interests		**24,811**	(13,715)
Profit for the year		**908,392**	566,208
Earnings per share			
– Basic	13	**RMB0.447**	RMB0.293
– Diluted	13	**RMB0.428**	RMB0.293

The notes on pages 98 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Profit for the year		**908,392**	566,208
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**20,503**	(28,501)
Share of other comprehensive income of an associate	21	**(16)**	1
Total of other comprehensive income for the year, net of tax		**20,487**	(28,500)
Total comprehensive income for the year		**928,879**	537,708
Attributable to:			
Equity shareholders of the Company		**904,068**	551,423
Non-controlling interests		**24,811**	(13,715)
Total comprehensive income for the year		**928,879**	537,708

The notes on pages 98 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**3,219,966**	3,069,709
Construction in progress	16	**775,858**	366,939
Right-of-use assets	17	**97,144**	116,548
Investment properties	18	**46,789**	38,700
Lease prepayments	19	**580,997**	542,764
Intangible assets	20	**138,036**	183,713
Interests in associates and joint venture	21	**210,099**	192,370
Goodwill	23	**256,671**	236,801
Deferred tax assets	37(b)	**115,918**	99,451
		5,441,478	4,846,995
Current assets			
Inventories	24	**4,312,353**	3,924,638
Contract assets	14(d)	**1,251,403**	1,001,746
Trade and bills receivables	25	**2,949,229**	2,389,147
Deposits, other receivables and prepayments	26	**1,212,740**	855,325
Amounts due from related parties	45(c)&(g)	**194,098**	99,366
Financial instruments at fair value through profit or loss	29	**52,892**	87,115
Restricted bank deposits	27	**437,129**	309,498
Cash and cash equivalents	28	**3,173,351**	2,560,890
		13,583,195	11,227,725
Current liabilities			
Financial instruments at fair value through profit or loss	29	**–**	1,037
Bank loans	30	**106,595**	24,941
Lease liabilities	17	**23,099**	24,024
Loans from related parties	45(d)	**301,022**	667,506
Other borrowings	34	**5,080**	13,449
Trade and bills payables	31	**3,302,768**	2,461,023
Contract liabilities	14(d)	**2,418,878**	2,438,378
Other payables and accrued expenses	32	**1,837,955**	1,643,752
Amounts due to related parties	45(c)	**267,238**	146,532
Warranty provision	33	**54,476**	98,659
Income tax payable	37(a)	**194,158**	131,764
		8,511,269	7,651,065
Net current assets		**5,071,926**	3,576,660
Total assets less current liabilities		**10,513,404**	8,423,655

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
Non-current liabilities			
Bank loans	30	**143,640**	270,996
Warranty provision	33	**117,646**	86,855
Deferred tax liabilities	37(b)	**96,058**	175,337
Deferred income	38	**280,208**	282,018
Employee benefit liabilities	39	**4,355**	4,413
Loans from related parties	45(d)	**56,125**	–
Convertible bonds	35	**1,234,980**	–
Other borrowings	34	**–**	36,197
Lease liabilities	17	**80,715**	96,481
		2,013,727	952,297
NET ASSETS		**8,499,677**	7,471,358
CAPITAL AND RESERVES			
Share capital	40(a)	**18,516**	18,376
Reserves	40(b)	**8,224,900**	7,261,700
Equity attributable to equity shareholders of the Company		**8,243,416**	7,280,076
Non-controlling interests		**256,261**	191,282
TOTAL EQUITY		**8,499,677**	7,471,358

The notes on pages 98 to 195 form an integral part of these consolidated financial statements.

The financial statements on pages 90 to 195 were approved by the Board of Directors on 23 March 2022 and were signed on its behalf.

Gao Xiang
Director

Yang Xiaohu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 40(a)	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(v)	General reserve fund RMB'000 40(b)(vi)	Retained earnings RMB'000	Other reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	18,371	446,705	(101,813)	1,124,571	162,982	(376,758)	553,732	5,308,318	–	7,136,108	248,403	7,384,511
Profit for the year	–	–	–	–	–	–	–	579,923	–	579,923	(13,715)	566,208
Other comprehensive income												
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	1	–	1	–	1
Exchange differences on translation of foreign operations	–	–	–	–	–	(28,501)	–	–	–	(28,501)	–	(28,501)
Total comprehensive income for the period	–	–	–	–	–	(28,501)	–	579,924	–	551,423	(13,715)	537,708
Issuance of shares in connection with exercise of share options	5	1,739	–	–	(5,366)	–	–	4,862	–	1,240	–	1,240
Purchase of shares in connection with share award scheme (note 36 (c))	–	–	(115,454)	–	–	–	–	–	–	(115,454)	–	(115,454)
Shares held for share award scheme – vesting of awarded shares	–	34,257	41,903	–	(34,257)	–	–	–	–	41,903	–	41,903
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	3,500	3,500
Equity-settled share-based transactions (note 36 (b))	–	–	–	–	6,581	–	–	–	–	6,581	–	6,581
Change in ownership interests in subsidiaries without change of control (note 46 (a))	–	–	–	–	15,761	–	–	–	–	15,761	(43,636)	(27,875)
Transfer to general reserve	–	–	–	–	–	–	25,701	(25,701)	–	–	–	–
2019 final dividends paid	–	–	–	–	–	–	–	(364,380)	–	(364,380)	–	(364,380)
Dividends distribution made by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,581)	(3,581)
Special reserve	–	–	–	–	–	–	–	–	1,519	1,519	–	1,519
Share of capital reserve of an associate	–	–	–	–	4,306	–	–	–	–	4,306	–	4,306
Increase in capital reserve resulted from share option exercised by subsidiaries	–	–	–	–	1,069	–	–	–	–	1,069	311	1,380
Effect of conversion of a subsidiary from a limit liability company into a joint stock company (note 40(b)(iii)(c))	–	–	–	–	1,028,711	–	(134,301)	(894,410)	–	–	–	–
Total contributions by and distributions to owners of the company, recognised directly in equity	5	35,996	(73,551)	–	1,016,805	–	(108,600)	(1,279,629)	1,519	(407,455)	(43,406)	(450,861)
At 31 December 2020	18,376	482,701	(175,364)	1,124,571	1,179,787	(405,259)	445,132	4,608,613	1,519	7,280,076	191,282	7,471,358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to equity shareholders of the Company												
	Share capital RMB'000 40(a)	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(v)	General reserve fund RMB'000 40(b)(vi)	Retained earnings RMB'000	Convertible bonds reserve RMB'000 40(b)(iv)	Other reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020	18,376	482,701	(175,364)	1,124,571	1,179,787	(405,259)	445,132	4,608,613	–	1,519	7,280,076	191,282	7,471,358
Profit for the year	–	–	–	–	–	–	–	883,581	–	–	883,581	24,811	908,392
Other comprehensive income													
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	(16)	–	–	(16)	–	(16)
Exchange differences on translation of foreign operations	–	–	–	–	–	20,503	–	–	–	–	20,503	–	20,503
Total comprehensive income for the period	–	–	–	–	–	20,503	–	883,565	–	–	904,068	24,811	928,879
Issuance of shares in connection with exercise of share options (note 36 (a))	140	48,078	–	–	(9,438)	–	–	–	–	–	38,780	–	38,780
Purchase of shares in connection with share award scheme (note 36 (c))	–	–	(9,670)	–	–	–	–	–	–	–	(9,670)	–	(9,670)
Disposal of shares held for share award scheme (note 36(b))	–	42,872	59,910	–	–	–	–	–	–	–	102,782	–	102,782
Issuance of convertible bonds (note 35)	–	–	–	–	–	–	–	–	123,944	–	123,944	–	123,944
Lapse of share options (note 36 (a))	–	–	–	–	(380)	–	–	380	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	10,402	10,402
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	32,099	32,099
Equity-settled share-based transactions (note 36 (c))	–	–	–	–	14,372	–	–	–	–	–	14,372	–	14,372
Transfer to general reserve	–	–	–	–	–	–	52,781	(52,781)	–	–	–	–	–
2020 final dividends paid	–	–	–	–	–	–	–	(235,891)	–	–	(235,891)	–	(235,891)
Dividends distribution made by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,428)	(2,428)
Special reserve	–	–	–	–	–	–	–	–	–	3,165	3,165	–	3,165
Equity-settled share-based transactions of a subsidiary (note 36 (d))	–	–	–	–	21,790	–	–	–	–	–	21,790	95	21,885
Total contributions by and distributions to owners of the company, recognised directly in equity	140	90,950	50,240	–	26,344	–	52,781	(288,292)	123,944	3,165	59,272	40,168	99,440
At 31 December 2021	18,516	573,651	(125,124)	1,124,571	1,206,131	(384,756)	497,913	5,203,886	123,944	4,684	8,243,416	256,261	8,499,677

The notes on pages 98 to 195 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**1,139,557**	773,259
Adjustments for:			
Depreciation and amortisation		**322,791**	341,306
Depreciation for right-of-use assets	17	**24,171**	19,305
Net impairment losses on financial and contract assets	8(d)	**76,260**	128,562
Impairment of goodwill and intangible assets		**28,000**	48,225
Impairment of investments in associates	21	**948**	910
Impairment of inventories and prepayments		**14,059**	41,454
Equity-settled share-based payment expenses	8(b)	**37,106**	7,961
Share of profits/(losses) of associates	21	**2,577**	(5,998)
Write-back of restructuring liabilities, payables and advance from customers		**(46,009)**	–
Change in fair value of derivative financial instruments		**(18,949)**	(23,744)
Amortisation of deferred income	38	**(13,561)**	(10,787)
Interest income	7	**(27,688)**	(21,917)
Interest charges	8(a)	**58,353**	35,012
Net loss on disposal of property, plant and equipment, lease prepayments		**4,072**	3,828
Net gain on disposal of derivative financial instruments		**(75,830)**	(21,750)
Provision for special reserve		**3,165**	1,519
Gain on disposal of investment in an associate		**(10,174)**	–
Foreign exchange losses		**14,710**	60,003
Operating profit before changes in working capital		**1,533,558**	1,377,148
Increase in inventories		**(399,732)**	(266,731)
(Increase)/decrease in trade receivable and bills receivables		**(576,528)**	231,769
Increase in contract assets		**(269,747)**	(111,539)
Increase in deposit, other receivables and prepayments		**(338,952)**	(35,651)
(Decrease)/increase in amounts due from related parties		**(87,422)**	79,201
Increase in trade and bills payables		**840,079**	37,335
Increase in other payables and accrued expenses		**41,866**	163,911
Decrease in contract liabilities		**(23,392)**	(432,311)
Increase in amounts due to related parties		**120,706**	62,332
Decrease in employee benefit liabilities		**(58)**	(701)
Decrease in deferred income	38	**11,751**	56,947
(Decrease)/increase in warranty provisions		**(13,392)**	1,203
Increase in restricted bank deposits	27	**(127,631)**	(52,469)
Cash generated from operations		**711,106**	1,110,444
Income tax paid	37(a)	**(276,455)**	(150,362)
Net cash generated from operating activities		**434,651**	960,082

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		(685,975)	(369,053)
Payment for lease prepayments	19	(62,508)	–
Payment for acquisition of intangible assets	20	(11,017)	(17,694)
Payments for financial instruments		–	(60,000)
Proceeds from disposal of property, plant and equipment, lease prepayments		6,007	23,940
Interest received	7	27,688	21,917
Acquisition of subsidiaries, net of cash acquired	47(c)	(47,972)	(52,280)
Payment for investment in associates	21	(33,547)	(26,395)
Payment for additional interest in subsidiaries	46	–	(27,875)
Dividends from associates	21	5,040	4,850
Proceeds from disposal of investment in an associate		117,412	–
Cash received from settlement of derivative financial instruments	7	75,830	21,750
Proceeds from settlement of financial instruments		61,430	–
Loan to a joint venture		(10,000)	–
Net cash used in investing activities		(557,612)	(480,840)
Financing activities			
Proceeds from drawdown of bank loans	42	1,698,990	1,284,913
Repayment of bank loans	42	(1,740,414)	(1,770,656)
Proceeds from issuance of convertible bonds	42	1,356,104	–
Interest paid		(50,390)	(29,078)
Repayment of other borrowings		(44,700)	(13,083)
Capital contribution from non-controlling interests		32,099	3,500
Purchase of shares for share award scheme	36(c)	(9,670)	(115,454)
Proceeds from shares issued under share option scheme	36(a)	38,780	1,240
Proceeds from disposal of unvested shares under share award scheme	36(b)	102,782	–
Proceeds from subscription to a subsidiary's employee share ownership scheme	36(d)	–	139,719
Loans from related parties	45(a)	1,283,463	1,842,000
Repayment of loans from related parties	45(a)	(1,593,822)	(1,360,896)
Repayment of lease liabilities	42	(22,573)	(20,684)
Dividends paid to the Company's shareholders		(235,891)	(364,380)
Dividends paid to non-controlling interests		(2,428)	(3,581)
Repayment of subscription money on unvested restricted shares		(58,641)	–
Net cash generated from/(used in) financing activities		753,689	(406,440)
Net increase in cash and cash equivalents		630,728	72,802
Cash and cash equivalents at 1 January		2,560,890	2,534,752
Effect of foreign exchange rate changes		(18,267)	(46,664)
Cash and cash equivalents at 31 December	28	3,173,351	2,560,890

The notes on pages 98 to 195 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used in the clean energy, chemical and environmental and liquid food industries.

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

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2006.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 March 2022.

Since January 2020, the epidemic of Coronavirus Disease (the "COVID-19 outbreak") has spread across China and other countries and has affected the business and economic activities of the Group to some extent. The Group taken various measures undertaken soon after the COVID-19 outbreak in order to properly resume the production and operations of the Group. The Group has assessed and taken the impact of COVID-19 outbreak into consideration when preparing these financial statements.

2 Significant accounting policies

(a) Basis of preparation of the financial statements

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 note 3.

(b) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2021:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

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

2 Significant accounting policies *(Continued)*

(c) New standards and amendments not yet adopted

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2021 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.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements	Annual improvements to HKFRS standards 2018–2020 cycle	1 January 2022
Amendments to Accounting Guideline 5	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9 and HFRS 4	1 January 2023
Hong Kong Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Significant accounting policies *(Continued)*

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(e)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(p).

2 Significant accounting policies *(Continued)*

(d) Principles of consolidation and equity accounting *(Continued)*

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred for the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 Significant accounting policies *(Continued)*

(e) Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase, recognised in "other income, net".

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(f) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional currency is HK dollars ("HKD"), because the funds generated from financial activities are majority HKD, and impacted the Company as a whole. As majority of the subsidiaries of the Company are located and operate in Mainland China, and apply functional currency of RMB, the consolidated financial statements are presented in RMB, which is the Group's presentation currency.

2 Significant accounting policies *(Continued)*

(g) Foreign currency translation *(Continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other income, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 Significant accounting policies *(Continued)*

(g) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(h) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Significant accounting policies *(Continued)*

(h) Investments and other financial assets *(Continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model adopted for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income, net" and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss subsequently measured at FVPL is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in change in fair value in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Significant accounting policies *(Continued)*

(h) Investments and other financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 25 for further details.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of a contract.

(j) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the higher of present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, and the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(k) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "Change in fair value of financial instruments".

2 Significant accounting policies *(Continued)*

(l) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(p)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(ag)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

(ii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	10 to 30 years
Leasehold improvements	2 to 5 years
Pipelines	25 to 30 years
Machinery	3 to 12 years
Motor vehicles	3 to 6 years
Office equipment	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iii) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 2(p)). Cost comprises direct and indirect costs, related to acquisition and installation of the property, plant and equipment, incurred before the asset is substantially ready for its intended use.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided for construction in progress.

(m) Investment properties

Investment properties are land use rights held for long-term rental yields and not occupied by the Group.

Investment properties are stated at historical cost less accumulated amortisation and impairment loss, if any. They are amortised using the straight-line method over their estimated useful life of 30 to 50 years. Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in income statement during the financial period in which they are incurred.

2 Significant accounting policies *(Continued)*

(n) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating business level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (see note 2(p)).

Upon disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(ag)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(p)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Others that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(p)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Technical know-how	5 to 10 years
Trade-name	15 years
Trademarks	5 years
Software	3 to 10 years
Customer relationship	4 to 10 years
Right of operation	30 years

Both the period and method of amortisation are reviewed annually.

2 Significant accounting policies *(Continued)*

(o) Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Leases also include land use rights which are accounted for and disclosed separately as lease prepayments in note 19.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and

- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(p) Impairment of non-financial assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

- construction in progress;

- investment properties;

- right-of-use assets;

- lease prepayments;

- intangible assets;

- goodwill; and

- investments in subsidiaries and associates

2 Significant accounting policies *(Continued)*

(p) Impairment of non-financial assets *(Continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(q) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies *(Continued)*

(r) Project engineering contracts

Project engineering contracts are contracts specifically negotiated with a customer for the engineering design or the construction of an asset or a group of assets where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(ab). When the outcome of a project engineering contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a project engineering contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

Project engineering contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "contract assets" or the "contract liabilities", as applicable. Progress billings not yet paid by the customer are included under "trade and bills receivables". Amounts received before the related work is performed are presented as "contract liabilities".

(s) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 25 for further information about the Group's accounting for trade receivables and note 2(h)(iv) for a description of the Group's impairment policies.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Significant accounting policies *(Continued)*

(u) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(t) and accordingly dividends thereon are recognised on an accruals basis in the income statement as part of finance costs.

(v) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(w) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(x) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the PRC subsidiaries have joined a defined contribution basic retirement scheme for their employees arranged by the local Labour and Social Security Bureau. The subsidiaries make contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. The contributions are accrued in the year in which the associated services are rendered by employees. When employees retire, the local Labour and Social Security Bureau are responsible for the payment of the basic retirement benefits to the retired employees. The Group has no further obligations beyond the annual contributions.

Besides the retirement benefits, pursuant to the relevant laws and regulations of the PRC, the PRC subsidiaries are obligated to make contributions to social security plans for employees, including housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance, at the applicable rate(s) based on the employees' salaries. The contributions are accrued in the year in which the associated services are rendered by employees.

2 Significant accounting policies *(Continued)*

(x) Employee benefits *(Continued)*

(i) Short term employee benefits and contributions to defined contribution retirement plans *(Continued)*

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, employees contributions are subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

(ii) Share-based payments

The fair value of share options and restricted award shares granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity.

For grant of share options, the fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest. For grant of restricted award shares, the amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the restricted shares granted, taking into account all non-vesting conditions associated with the grants on grant date. The total expense is recognised on a straight-line basis over the relevant vesting periods, with a corresponding credit made to an employee share-based capital reserve under equity.

For grant of share options, during the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share capital and share premium account) or the option expires and lapsed (when it is released directly to retained earnings).

For grant of restricted award shares, during the vesting periods, the Group revises its estimates of the number of restricted award shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based capital reserve.

For grant of restricted award shares, shares held by the Group's Trust are disclosed as shares held for share award scheme and deducted from equity.

2 Significant accounting policies *(Continued)*

(x) Employee benefits *(Continued)*

(iii) Jubilee benefits

Jubilee benefits ascribed to past service are calculated and added to the staff remuneration provision. Changes in the provision are recognised in the income statement.

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies *(Continued)*

(y) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(aa) Convertible bonds

The component parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

2 Significant accounting policies *(Continued)*

(aa) Convertible bonds *(Continued)*

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

The Group assesses if the embedded derivatives in respect of the early redemption features are deemed to be clearly and closely related to the host debt contract. Embedded derivatives need not be separated if they are regarded as closely related to its host contract. If they are not, they would be separately accounted for.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

(ab) Revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or

- Creates and enhances an asset that the customer controls as the Group performs; or

- Do not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 Significant accounting policies *(Continued)*

(ab) Revenue recognition *(Continued)*

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

If control of asset transfers at a point in time, revenue is recognised when the customer obtains the physical or the legal title of the completed goods and the Group has present right to payment and the collection of the consideration is probable.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ac) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of "other revenue".

Interest income is presented as "interest income from bank deposits" where it is earned from financial assets that are held for cash management purposes, see note 7 below.

(ad) Government grants

Unconditional government grants are recognised in the income statement as income when the grants become receivable. Other government grants are presented initially in the balance sheet and shall be recognised in the income statement when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants. Grants related to the subsidy of acquiring assets are presented as deferred income in the balance sheet and are recognised in the income statement on a systematic and rational basis over the useful lives of the assets. Grants related to compensating expenses are recognised in the income statement on a systematic and rational basis in the same period as those expenses are charged in the income statement and presented in "other revenue".

(ae) Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 Significant accounting policies *(Continued)*

(af) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ag) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ah) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control of the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

2 Significant accounting policies *(Continued)*

(ah) Related parties *(Continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- The entity is controlled or jointly controlled by a person identified in (i);
- A person identified in the first point of (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- One entity provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ai) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

Certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows need to be determined. One of the key assumptions that has to be applied is the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(b) Impairment of non-financial assets

In considering the impairment losses that may be required for certain of the Group's assets which include goodwill, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Completion percentage of input method

As explained in notes 2(r) and 2(ab) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the project engineering contract, as well as the work done to date. Based on the Group's recent experience and the nature of the project engineering activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 Accounting estimates and judgements *(Continued)*

(d) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

4 Fair value measurement of financial instruments

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. The different levels of fair value estimation have been defined as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Fair value measurement of financial instruments *(Continued)*

(a) Fair value hierarchy *(Continued)*

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 31 December 2020 on a recurring basis:

	At 31 December 2021		At 31 December 2020	
	Level 2	**Level 3**	Level 2	Level 3
	RMB'000	**RMB'000**	RMB'000	RMB'000
Financial assets				
– FVPL – foreign currency forwards	**52,488**	**–**	25,685	–
– FVPL – wealth management products	**–**	**–**	61,430	–
– FVPL – contingent considerations	**–**	**404**	–	–
– FVOCI – bills receivables	**–**	**104,475**	–	376,810
Financial liability				
– FVPL – foreign currency forwards	**–**	**–**	1,037	–

As at 31 December 2021, the Group's financial instruments measured at fair value through other comprehensive income were bills receivables which were classified as level 3. These instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques. The following table presents the changes of the Group's financial assets of level 3 within the fair value hierarchy for the year ended 31 December 2021 and 2020:

	Bills receivables RMB'000	**Contingent considerations** RMB'000	**Total** RMB'000
At 1 January 2020	314,125	–	314,125
Additions	1,454,694	–	1,454,694
Disposals	(1,392,009)	–	(1,392,009)
At 31 December 2020	376,810	–	376,810
At 1 January 2021	**376,810**	**–**	**376,810**
Additions	**3,108,214**	**–**	**3,108,214**
Disposals	**(3,380,549)**	**–**	**(3,380,549)**
Fair value change recognised in profit or loss	**–**	**404**	**404**
At 31 December 2021	**104,475**	**404**	**104,879**

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

4 Fair value measurement of financial instruments *(Continued)*

(b) Valuation techniques used to determine fair values

Level 2 financial instruments comprise forward foreign exchange contracts and wealth management products. The fair value of these financial instruments determined using forward exchange rates at the balance sheet day and quoted redemption prices from the banks issued the products respectively.

Level 3 financial instruments comprise bills receivables and contingent considerations. Bills receivables were fair valued by using future cash inflow with discount and the contingent considerations were estimated based on the value of probable future cash outflow or inflow with discount.

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

(c) Fair value of other financial instruments

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

5 Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at FVPL, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

The Group's credit risk is primarily attributable to trade and bills receivables, contract assets, other receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In order to minimise the credit risk, management of the Group has delegated a team responsible for credit risk management. Management assessed the provision of impairment on the basis of expected credit losses model ("ECL"). ECL for trade receivables is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue balances, customers' repayment history and financial position and an assessment of both the current and forecast general economic environment.

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Contract assets
- Bills receivables
- Other receivables, including amounts due from related parties
- Cash and bank balances

(ii-1) Cash and bank balances

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii-2) Bills receivables

The Group's bills receivables are bank acceptance notes and trade acceptance notes issued by banks and large corporates with good reputation, and the Group has assessed that the expected credit losses are not significant in 2021 and 2020.

(ii-3) Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics. The contract assets relate to unbilled work in progress , and their risk characteristics are essentially the same as the trade receivables of similar contracts. Therefore, the Group considers that the expected credit loss rate of trade receivables is close to that of contract assets.

Trade receivables and contract assets are categorised as follows for assessment purpose:

- Group 1 – individual: Receivables and contract assets with pending lawsuits or disputes
- Group 2 – collective: Other trade receivables and contract assets

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

(ii-3) Trade receivables and contract assets *(Continued)*

As at 31 December 2021 and 2020, the cost and the loss allowance of trade receivables and contract assets in these categories are as follows:

	31 December 2021		31 December 2020	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Group 1				
– Trade receivables	110,635	(105,159)	112,421	(97,968)
– Contract assets	171,198	(68,818)	163,925	(54,062)
Group 2				
– Trade receivables	2,722,479	(189,937)	2,228,477	(230,593)
– Contract assets	1,154,357	(5,334)	891,883	–
Total	4,158,669	(369,248)	3,396,706	(382,623)

For receivables and contract assets with pending lawsuits or disputes, the credit risk characteristics are unique, the Group has assessed that the expected credit losses on an individual basis.

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

(ii-3) Trade receivables and contract assets *(Continued)*

For other trade receivables and contract assets, the expected loss rates are assessed based on the payment profiles of sales over a period of 12 months before 31 December 2021 or 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance of Group 2 as at 31 December 2021 and 31 December 2020 was determined as follows for both trade receivables and contract assets:

31 December 2021	Current RMB'000	Less than 3 months past due RMB'000	More than 3 months but less than 12 months past due RMB'000	More than 1 year but less than 2 years past due RMB'000	More than 2 years but less than 3 years past due RMB'000	More than 3 years but less than 5 years past due RMB'000	More than 5 years past due RMB'000	Total RMB'000
Expected loss rate	1.35%	3.24%	6.66%	29.58%	45.01%	80.34%	100.00%	5.04%
Gross carrying amount – trade receivables	2,068,151	249,410	144,578	123,191	57,418	40,323	39,408	2,722,479
Gross carrying amount – contract assets	1,154,357	–	–	–	–	–	–	1,154,357
Loss allowance	43,484	8,073	9,630	36,439	25,841	32,396	39,408	195,271

31 December 2020	Current RMB'000	Less than 3 months past due RMB'000	More than 3 months but less than 12 months past due RMB'000	More than 1 year but less than 2 years past due RMB'000	More than 2 years but less than 3 years past due RMB'000	More than 3 years but less than 5 years past due RMB'000	More than 5 years past due RMB'000	Total RMB'000
Expected loss rate	1.47%	4.58%	6.84%	36.10%	48.92%	78.03%	100.00%	7.39%
Gross carrying amount – trade receivables	1,518,451	199,558	217,335	146,836	26,461	66,598	53,238	2,228,477
Gross carrying amount – contract assets	891,883	–	–	–	–	–	–	891,883
Loss allowance	35,426	9,149	14,857	53,010	12,945	51,968	53,238	230,593

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

(ii-3) Trade receivables and contract assets *(Continued)*

The loss allowance for trade receivables and contract assets as at 31 December reconciles to the opening loss allowance as follows:

	Trade receivables RMB'000	Contract assets RMB'000
Opening loss allowance as at 1 January 2020	316,116	25,226
Increase in loss allowance recognised in profit or loss during the year	149,282	28,836
Reversal of impairment provision	(50,778)	–
Written off during the year as uncollectible	(86,546)	–
Exchange differences	487	–
Closing loss allowance as at 31 December 2020	328,561	54,062
Increase in loss allowance recognised in profit or loss during the year	**91,316**	**20,090**
Reversal of impairment provision	**(74,870)**	**–**
Written off during the year as uncollectible	**(49,543)**	**–**
Exchange differences	**(368)**	**–**
Closing loss allowance as at 31 December 2021	**295,096**	**74,152**

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

(ii-4) Other receivables, including amounts due from related parties

As at 31 December 2021, the Group has assessed that other receivables due from related and third parties are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for other receivables due from third parties where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Moreover, other receivables from related parties are considered to be low credit risk considering the good financial position and credit history of the related parties.

The loss allowance for other financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

	Other receivables due from third parties RMB'000	Other receivables due from related parties RMB'000
Opening loss allowance as at 1 January 2020	28,873	7,356
Increase in the allowance recognised in profit or loss during the year	1,222	–
Receivables written off during the year as uncollectible	(20,757)	(1,865)
Closing loss allowance as at 31 December 2020	9,338	5,491
Increase in the allowance recognised in profit or loss during the year (i)	**88**	**39,636**
Receivables written off during the year as uncollectible	**(1,022)**	**–**
Closing loss allowance as at 31 December 2021	**8,404**	**45,127**

(i) A non-wholly owned subsidiary of the Group provided guarantee and pledged certain of its assets as collaterals to its non-controlling shareholder in respect of that non-controlling shareholder's bank borrowings of RMB20,000,000. In 2021, the non-controlling shareholder was in default for the bank borrowings and the Group was enforced to honour the guarantee to repay the bank borrowings of RMB20,000,000. The aggregate amount of total receivable due from that non-controlling shareholder was RMB60,549,000 as at 31 December. After taking into account of share counter guaranteed by the non-controlling shareholder, which was valued at RMB20,913,000 and could be realised by the Group, the Directors of the Company had assessed the net risk exposure and made a provision of RMB 39,636,000 against the outstanding amount as at 31 December 2021.

5 Financial risk management *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval granted by the parent company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2021					2020				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	111,971	152,918	–	264,889	250,235	25,570	281,850	–	307,420	295,937
Trade and bills payables	3,302,768	–	–	3,302,768	3,302,768	2,461,023	–	–	2,461,023	2,461,023
Other payables excluding payroll, tax payable, other surcharges payables and accrued expenses	619,520	–	–	619,520	619,520	447,959	–	–	447,959	447,959
Other borrowings	5,213	–	–	5,213	5,080	16,346	38,895	–	55,241	49,646
Loans from related parties and amounts due to related parties	570,370	59,686	–	630,056	624,385	831,049	8,585	–	839,634	814,038
Lease liabilities	24,231	84,670	–	108,901	103,814	25,056	100,627	–	125,683	120,505
Convertible bonds	–	1,425,901	–	1,425,901	1,234,980	–	–	–	–	–
	4,634,073	1,723,175	–	6,357,248	6,140,782	3,807,003	429,957	–	4,236,960	4,189,108

5 Financial risk management *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing bank deposits, bank loans, loans from related parties and convertible bond with floating and fixed rates. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank deposits, bank loans and loans from related parties and convertible bonds at the balance sheet date.

	2021		2020	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Bank deposits				
– Floating rate	**0.69%**	**3,168,806**	0.97%	2,790,583
Bank loans				
– Floating rate	**2.06%**	**(149,640)**	1.92%	(295,937)
– Fixed rate	**0.45%**	**(100,595)**	–	–
Loans from related parties				
– Fixed rate	**1.59%**	**(357,147)**	2.55%	(667,506)
Convertible bond				
– Fixed rate	**2.93%**	**(1,234,980)**	–	–

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/(decrease) of 50 basis points in interest rates, with all other variables held constant, would increase/(decrease) the Group's profit after tax and retained earnings by approximately RMB11,322,000 (31 December 2020: RMB6,852,000). Other components of consolidated equity would not change in response to the general increase/(decrease) in interest rates.

For sensitivity analysis above in respect of the exposure to cash flow interest rate risk arising from floating rate bank deposits, bank loans and loans from related parties held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualised impact on interest income assuming that such a change in interest rates had occurred at the balance sheet date.

5 Financial risk management *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States dollars and Euro. The Group manages this risk as follows:

(i) Forecast transactions

Depreciation or appreciation of the Renminbi against foreign currencies can affect the Group's results. The Group manage the magnitude of cash flows arising from the foreign exchange purchases and sales and timing of payment and receipts so as to minimize the magnitude of foreign exchange translation from their functional currency.

(ii) Recognised assets and liabilities

In respect of financial assets and liabilities held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's borrowings are denominated in Renminbi, United States dollar and Hong Kong dollar. The period of these borrowings are generally within 12 months. The Group considered the foreign currency risk arising from these short term borrowings is insignificant.

5 Financial risk management *(Continued)*

(d) Currency risk *(Continued)*

(iii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	Exposure to foreign currencies 2021			
	USD RMB'000	**HKD RMB'000**	**EUR RMB'000**	**GBP RMB'000**
Trade and bills receivables	**785,885**	**142**	**69,332**	**–**
Deposits and other receivables	**27,947**	**–**	**22,286**	**621**
Cash and cash equivalents	**803,154**	**156,183**	**140,195**	**77,172**
Restricted cash	**11,840**	**–**	**1,593**	**–**
Trade and bills payables	**(37,840)**	**–**	**(34,125)**	**(61,800)**
Other payables and accrued expenses	**(47,042)**	**–**	**(2,636)**	**(2,208)**
FVPL – foreign currency forwards	**50,450**	**–**	**2,038**	**–**
Overall net exposure	**1,594,394**	**156,325**	**198,683**	**13,785**

	Exposure to foreign currencies 2020			
	USD RMB'000	HKD RMB'000	EUR RMB'000	GBP RMB'000
Trade and bills receivables	411,688	–	70,426	36,048
Deposits and other receivables	288	–	717	–
Cash and cash equivalents	544,650	10,838	172,189	29,541
Restricted cash	53,713	–	–	–
Trade and bills payables	(94,827)	–	(18,473)	(51,672)
Other payables and accrued expenses	(68,835)	–	(406)	(7,299)
FVPL – foreign currency forwards	25,685	–	723	–
Overall net exposure	872,362	10,838	225,176	6,618

5 Financial risk management *(Continued)*

(d) Currency risk *(Continued)*

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained earnings RMB'000	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained earnings RMB'000
USD	5%	(55,027)	5%	31,750
	(5%)	55,027	(5%)	(31,750)
HKD	5%	5,862	5%	406
	(5%)	(5,862)	(5%)	(406)
EUR	5%	3,386	5%	8,417
	(5%)	(3,386)	(5%)	(8,417)
GBP	5%	517	5%	248
	(5%)	(517)	(5%)	(248)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax (and retained earnings) measured in the respective functional currencies, translated from foreign currencies into the functional currency at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

6 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:

	2021 RMB'000	2020 RMB'000
Sales of goods	**11,870,349**	8,206,712
Revenue from project engineering contracts	**6,554,414**	4,082,855
	18,424,763	12,289,567

7 Other revenue and other income, net

		2021 RMB'000	2020 RMB'000
Other revenue			
Government grants	(i)	**59,221**	62,132
Other operating revenue	(ii)	**143,691**	141,819
Interest income from bank deposits		**27,688**	21,917
		230,600	225,868

(i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government, and the recognition of deferred government grants as set out in note 38.

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

7 Other revenue and other income, net *(Continued)*

	2021 RMB'000	2020 RMB'000
Other income, net		
Write-back of restructuring liabilities (i)	**32,141**	113,564
Foreign exchange loss	**(13,820)**	(60,003)
Net fair value gain on settlement of derivative financial instruments	**75,830**	21,750
Gain on disposal of investment in an associate	**10,174**	–
Compensation received	**16,181**	19,999
Write-back of payables and advances from customers (ii)	**13,868**	6,796
Net loss on disposal of property, plant and equipment, lease prepayments	**(4,072)**	(3,828)
Donation expenses	**(485)**	(533)
Other net gain	**1,735**	15,030
	131,552	112,775

(i) During the year, the Group wrote back restructuring liabilities of RMB32,141,000 in relation to the bankruptcy restructuring of a subsidiary (prior to its acquisition by the Group) since the Group was no longer obliged to settle those amounts (2020: RMB113,564,000).

(ii) Amounts represented the write-back of long aged payables and advances from customers.

8 Profit before taxation

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

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on bank loans, loans from related parties, other borrowings, lease liabilities and convertible bonds	**61,553**	37,007
Less: interest capitalised	**(3,200)**	(1,995)
Bank charges	**12,072**	9,718
	70,425	44,730

8 Profit before taxation *(Continued)*

(b) Staff costs

	2021 RMB'000	2020 RMB'000
Salaries, wages and allowances	**1,739,794**	1,589,527
Contributions to retirement schemes (note 39)	**68,666**	34,893
Equity-settled share-based payment expenses	**37,106**	7,961
	1,845,566	1,632,381

(c) Other items

	2021 RMB'000	2020 RMB'000
Cost of inventories (note 24)	**11,129,768**	6,856,187
Cost from project engineering contracts (note 24)	**4,588,993**	3,338,657
Auditor's remuneration		
– Audit services	**7,993**	7,789
– Non-audit services	**5,106**	1,767
Depreciation of property, plant and equipment (note 15)	**271,995**	281,519
Depreciation of right-of-use assets (note 17)	**24,171**	19,305
Amortisation of lease prepayments (note 19)	**15,117**	14,766
Amortisation of intangible assets (note 20)	**34,424**	43,999
Impairment of intangible assets (note 20)	**28,000**	8,000
Impairment of goodwill (note 23)	**–**	40,224
Write-down of inventories (note 24)	**18,047**	43,616
Reversal of write-down of inventories (note 24)	**(5,541)**	(5,869)
Research and development costs	**524,570**	359,085
Operating lease charges for property rental (note 17)	**8,875**	9,761
Provision for product warranties (note 33)	**90,510**	73,901
Reversal of provision for product warranties (note 33)	**(52,963)**	(36,962)

(d) Net impairment loss on financial assets

	2021 RMB'000	2020 RMB'000
Impairment provision for trade receivables	**91,316**	149,282
Reversal of impairment provision for trade receivables	**(74,870)**	(50,778)
Impairment provision for contract assets	**20,090**	28,836
Others (note 5(a)(ii-4))	**39,724**	1,222
	76,260	128,562

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2021 RMB'000	2020 RMB'000
Current tax		
Provision for the year	**331,136**	228,655
Over-provision in respect of prior years	**(4,225)**	(9,139)
	326,911	219,516
Deferred tax		
Origination and reversal of temporary differences	**(95,746)**	(12,465)
	231,165	207,051

(i) 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.

(ii) 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%.

(iii) 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.

(iv) Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany, United Kingdom and Singapore are charged at the prevailing rates of 25%, 25%, 22%, 30%, 19% and 17% respectively in the relevant countries and are calculated on a stand-alone basis.

9 Income tax in the consolidated income statement *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**1,139,557**	773,259
Notional tax on profit before taxation, calculated at the applicable rates	**318,117**	267,437
Effect of tax concessions (a(ii))	**(74,629)**	(70,463)
Super deduction for research and development expenditure	**(45,904)**	(18,453)
Tax effect of non-deductible expenses	**16,335**	16,437
Tax effect of tax losses and temporary differences not recognised as deferred tax assets	**25,657**	27,129
Over-provision in prior years	**(4,225)**	(9,139)
Utilisation of tax losses which no deferred tax assets were recognised before	**(4,186)**	(5,897)
Income tax expenses	**231,165**	207,051

10 Directors' remuneration

Details of Directors' remuneration for the year ended 31 December 2021 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000	Share Incentive Scheme
Executive Director:						
Yang Xiaohu	–	1,201	17	2,452	3,670	Note 1, Note 2
Non-executive Directors:						
Gao Xiang	149	–	–	–	149	Note 1, Note 2
Yu Yuqun	149	–	–	–	149	Note 1, Note 2
Wang Yu	149	–	–	–	149	Note 1, Note 2
Zeng Han	149	–	–	–	149	Note 1, Note 2
Independent Non-Executive Directors:						
Zhang Xueqian	266	–	–	–	266	Note 1
Tsui Kei Pang	266	–	–	–	266	Note 1
Wang Caiyong	266	–	–	–	266	Note 1
Yien Yu Yu, Catherine	266	–	–	–	266	Note 1
	1,660	1,201	17	2,452	5,330	

10 Directors' remuneration *(Continued)*

Details of Directors' remuneration for the year ended 31 December 2020 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000	Share Incentive Scheme
Executive Director:						
Yang Xiaohu	–	1,275	16	306	1,597	Note 2
Non-executive Directors:						
Gao Xiang	160	–	–	–	160	Note 2
Yu Yuqun	160	–	–	–	160	Note 2
Wang Yu	160	–	–	–	160	Note 2
Zeng Han	160	–	–	–	160	Note 2
Independent Non-Executive Directors:						
Zhang Xueqian	285	–	–	–	285	–
Tsui Kei Pang	285	–	–	–	285	–
Wang Caiyong	285	–	–	–	285	–
Yien Yu Yu, Catherine	285	–	–	–	285	–
	1,780	1,275	16	306	3,377	

Note 1: As at 31 December 2021, Mr. Yang Xiaohu (an Executive Director of the Company), had been granted 1,200,000 restricted shares under the Share Award Scheme 2020 of the Company; Mr. Gao Xiang, Mr. Yu Yuqun, Mr. Wang Yu, Mr. Zeng Han (Non-executive Directors of the Company), had been granted 1,200,000, 800,001, 600,000, 600,000 restricted shares respectively, under the Share Award Scheme 2020 of the Company. Mr. Zhang Xueqian, Mr. Tsui Kei Pang, Mr. Wang Caiyong, Ms. Yien Yu Yu, Catherine (Independent Non-Executive Directors of the Company) had been granted 300,000 restricted shares respectively under the Share Award Scheme 2020 of the Company respectively. The share-based payment expense recognised by the Group in 2021 amounted to RMB14,372,000 (2020: nil), and among which the amount related to the aforementioned Directors was approximately RMB2,326,000 (2020: nil).

Note 2: As at 31 December 2021, Mr. Yang Xiaohu (Executive Director of the Company), held 2.19% interest in the enlarged capital of CIMC Safe Tech (a subsidiary of the Company) under its Share Award Scheme (the "Safe Tech Award Scheme"); Mr. Gao Xiang, Mr. Yu Yuqun, Mr. Wang Yu, Mr. Zeng Han (Non-executive Directors of the Company) held 0.33%, 0.13%, 0.13% and 0.13% interest respectively in the enlarged capital of CIMC Safe Tech under the Safe Tech Award Scheme. The share-based payment expense recognised by the Group in 2021 amounted to RMB21,885,000 (2020: RMB1,380,000), and among which the amount related to the aforementioned Directors was approximately RMB8,808,000 (2020: RMB527,000).

Details for the aforesaid matters included the Share Award Scheme 2020 and the Safe Tech Award Scheme, please refer to Note 36(c)and Note 36(d).

11 Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group for the year include one (2020: none) director whose emoluments are reflected in the analysis shown in Note 10. The emoluments payable to the remaining four (2020: five) individuals during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,948	7,999
Bonuses	15,353	2,087
Share-based payments (i)	772	286
Retirement scheme contributions	660	261
	20,733	10,633

The emoluments fell within the following bands:

	2021 Number of Individuals	2020 Number of Individuals
HKD 2,000,001 – HKD 2,500,000	–	4
HKD 2,500,001 – HKD 3,000,000	–	1
HKD 3,000,001 – HKD 3,500,000	1	–
HKD 6,500,001 – HKD 7,000,000	1	–
HKD 7,500,001 – HKD 8,000,000	2	–

(i) Share-based payments in relation to the Company's restricted share award schemes.

12 Dividends

Final dividend of RMB235,891,000 in relation to the year ended 31 December 2020 was paid in 2021.

A final dividend in respect of the year ended 31 December 2021 of HKD0.21 (equivalent to approximately RMB0.17) per share has been proposed by the Directors. The proposed final dividend in respect of 2021 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.

13 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:

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	**883,581**	579,923
Earnings for the purposes of diluted earnings per share	**854,453**	579,923

	2021	2020
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,977,473,449**	1,976,552,191
Effect of dilutive potential ordinary shares in respect of the convertible bonds and the Company's share option and share award schemes (notes 35 and 36)	**16,913,164**	5,729,471
Weighted average number of shares for the purpose of diluted earnings per share	**1,994,386,613**	1,982,281,662

	2021 RMB'000	2020 RMB'000
Earnings per share		
Basic earnings per share	**0.447**	0.293
Diluted earnings per share	**0.428**	0.293

14 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, convertible bonds and certain liabilities unallocated to an individual reportable segment.

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

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

In addition to receive 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 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.

14 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Revenue from external customers	**9,716,085**	7,001,558	**3,793,827**	2,026,944	**3,420,465**	2,727,872	**16,930,377**	11,756,374
Inter-segment revenue	**56**	867	**135,540**	68,314	**–**	–	**135,596**	69,181
Reportable segment revenue	**9,716,141**	7,002,425	**3,929,367**	2,095,258	**3,420,465**	2,727,872	**17,065,973**	11,825,555
Timing of revenue recognition								
At a point in time	**6,565,979**	5,647,441	**3,929,367**	2,095,258	**16,213**	–	**10,511,559**	7,742,699
Over time	**3,150,162**	1,354,984	**–**	–	**3,404,252**	2,727,872	**6,554,414**	4,082,856
Reportable segment profit (adjusted profit from operations)	**455,284**	300,626	**366,074**	215,796	**541,259**	534,396	**1,362,617**	1,050,818
Interest income from bank deposits	**17,291**	16,257	**1,460**	2,417	**1,065**	36,785	**19,816**	55,459
Interest expense	**(24,624)**	(12,966)	**(8,091)**	(3,087)	**(2,829)**	(1,895)	**(35,544)**	(17,948)
Depreciation and amortisation for the year	**(212,265)**	(227,728)	**(36,114)**	(29,030)	**(44,857)**	(73,196)	**(293,236)**	(329,954)
Reportable segment assets	**10,520,722**	9,466,270	**2,995,798**	2,114,071	**3,265,343**	2,729,631	**16,781,863**	14,309,972
Additions to non-current assets during the year	**798,187**	246,365	**170,884**	175,711	**50,001**	68,758	**1,019,072**	490,834
Reportable segment liabilities	**5,140,791**	5,022,805	**1,137,206**	809,636	**1,706,877**	1,765,515	**7,984,874**	7,597,956

14 Segment reporting *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	**17,065,973**	11,825,555
Elimination of inter-segment revenue	**(135,596)**	(69,181)
Unallocated revenue	**1,494,386**	533,193
Consolidated revenue	**18,424,763**	12,289,567

	2021 RMB'000	2020 RMB'000
Profit		
Reportable segment profit	**1,362,617**	1,050,818
Elimination of inter-segment profit	**(2,864)**	(10,029)
Reportable segment profit derived from Group's external customers	**1,359,753**	1,040,789
Finance costs	**(70,425)**	(44,730)
Share of post-tax profit of associates	**(2,577)**	5,998
Unallocated operating income and expenses	**(147,194)**	(228,798)
Consolidated profit before taxation	**1,139,557**	773,259

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	**16,781,863**	14,309,972
Elimination of inter-segment receivables	**(34,337)**	(229,898)
	16,747,526	14,080,074
Deferred tax assets	**115,918**	99,451
Unallocated assets	**2,161,229**	1,895,195
Consolidated total assets	**19,024,673**	16,074,720

14 Segment reporting *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Liabilities		
Reportable segment liabilities	**7,984,874**	7,597,956
Elimination of inter-segment payables	**(34,337)**	(229,898)
	7,950,537	7,368,058
Income tax payable	**194,158**	131,764
Deferred tax liabilities	**96,058**	175,337
Convertible Bonds	**1,234,980**	–
Unallocated liabilities	**1,049,263**	928,203
Consolidated total liabilities	**10,524,996**	8,603,362

(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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
PRC (place of domicile)	**9,095,732**	6,349,932	**4,640,844**	4,054,587
United States	**1,260,730**	821,783	**7**	7
European countries	**2,520,792**	2,150,007	**474,284**	500,526
Asian countries (other than PRC)	**2,459,281**	920,316	**2,133**	54
Other American countries	**2,660,825**	1,750,762	**–**	–
Other countries	**427,403**	296,767	**–**	–
	9,329,031	5,939,635	**476,424**	500,587
	18,424,763	12,289,567	**5,117,268**	4,555,174

For the year ended 31 December 2021, there was no single external customer that accounted for 10% or more of the Group's total revenue (2020: one).

14 Segment reporting *(Continued)*

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2021 RMB'000	2020 RMB'000
Contract assets	**1,325,555**	1,055,808
Loss allowance	**(74,152)**	(54,062)
Total contract assets	**1,251,403**	1,001,746
Contract liabilities – Products	**1,205,686**	1,601,943
Contract liabilities – Project engineering contracts	**1,213,192**	836,435
Total contract liabilities	**2,418,878**	2,438,378

(i) Significant changes in contract assets and liabilities

The increase of contract assets of the Group was due to unbilled service costs relating to significant engineering projects undertaken by the Group at the end of 2021.

Magnitude of contract liabilities balances of the Group decreased as at 31 December 2021 as the Group had delivered several large-scale projects and recognised the related revenue at the end of 2021.

(ii) Revenue recognised in relation to contract liabilities

The following table discloses the amount of revenue recognised in the current reporting period relating to carried-forward contract liabilities.

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Product offerings	**1,461,219**	1,091,463
– Project engineering contracts	**765,276**	1,049,815
	2,226,495	2,141,278

15 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Pipelines RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:							
At 1 January 2020	2,320,712	320	161,296	1,876,798	153,018	294,202	4,806,346
Additions	43,598	–	–	86,224	11,888	9,960	151,670
Acquisition through business combinations	15,142	–	–	3,141	956	746	19,985
Transfers from construction in progress (note 16)	53,974	–	–	194,315	3,617	12,994	264,900
Transfers to investment properties	(19,629)	–	–	–	–	–	(19,629)
Disposals	(5,504)	–	–	(28,351)	(10,305)	(7,121)	(51,281)
Exchange differences	3,977	(11)	–	4,874	(870)	(581)	7,389
At 31 December 2020	2,412,270	309	161,296	2,137,001	158,304	310,200	5,179,380
At 1 January 2021	**2,412,270**	**309**	**161,296**	**2,137,001**	**158,304**	**310,200**	**5,179,380**
Additions	**22,589**	**–**	**475**	**67,318**	**6,550**	**32,031**	**128,963**
Acquisition through business combinations (note 47)	**4,781**	**–**	**–**	**3,505**	**–**	**26**	**8,312**
Transfers from construction in progress (note 16)	**113,682**	**–**	**–**	**195,200**	**1,777**	**5,984**	**316,643**
Disposals	**(4,930)**	**–**	**–**	**(34,767)**	**(1,755)**	**(2,037)**	**(43,489)**
Exchange differences	**(18,365)**	**(10)**	**–**	**(33,327)**	**(6,697)**	**(5,385)**	**(63,784)**
At 31 December 2021	**2,530,027**	**299**	**161,771**	**2,334,930**	**158,179**	**340,819**	**5,526,025**
Accumulated depreciation:							
At 1 January 2020	(519,431)	(320)	(4,033)	(1,010,553)	(84,025)	(221,329)	(1,839,691)
Charge for the year	(113,641)	–	(2,689)	(130,847)	(12,188)	(22,154)	(281,519)
Transfers to investment properties	3,692	–	–	–	–	–	3,692
Written back on disposals	615	–	–	5,474	8,344	5,916	20,349
Exchange differences	(2,281)	11	–	(7,069)	2,809	(5,972)	(12,502)
At 31 December 2020	(631,046)	(309)	(6,722)	(1,142,995)	(85,060)	(243,539)	(2,109,671)
At 1 January 2021	**(631,046)**	**(309)**	**(6,722)**	**(1,142,995)**	**(85,060)**	**(243,539)**	**(2,109,671)**
Charge for the year	**(99,624)**	**–**	**(7,763)**	**(135,250)**	**(10,318)**	**(19,040)**	**(271,995)**
Written back on disposals	**3,436**	**–**	**–**	**29,237**	**1,619**	**1,457**	**35,749**
Exchange differences	**9,090**	**10**	**–**	**20,403**	**6,314**	**4,041**	**39,858**
At 31 December 2021	**(718,144)**	**(299)**	**(14,485)**	**(1,228,605)**	**(87,445)**	**(257,081)**	**(2,306,059)**
Net book value:							
At 31 December 2021	**1,811,883**	**–**	**147,286**	**1,106,325**	**70,734**	**83,738**	**3,219,966**
At 31 December 2020	1,781,224	–	154,574	994,006	73,244	66,661	3,069,709

As at 31 December 2021, the Group was in the process of registering the title of buildings at net book value of RMB105,209,500 (2020: RMB169,055,000) with the relevant government authorities.

15 Property, plant and equipment *(Continued)*

Depreciation of the property, plant and equipment has been charged to the following categories in the consolidated income statement:

	2021 RMB'000	2020 RMB'000
Cost of sales	**223,351**	237,582
Selling expenses	**2,383**	1,840
Administrative expenses	**46,261**	42,097
	271,995	281,519

16 Construction in progress

	2021 RMB'000	2020 RMB'000
At 1 January	**366,939**	425,145
Additions	**714,256**	219,795
Acquisition through business combination (note 47)	**22,697**	2,767
Transfers to property, plant and equipment (note 15)	**(316,643)**	(264,900)
Transfers to intangible assets (note 20)	**(8,826)**	(16,371)
Exchange differences	**(2,565)**	503
At 31 December	**775,858**	366,939

17 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Buildings	**97,029**	116,179
Others	**115**	369
	97,144	116,548
Lease liabilities		
Current	**23,099**	24,024
Non-current	**80,715**	96,481
	103,814	120,505

* Right-of-use assets also included the lease prepayments as disclosed separately in note 19.

Additions to the right-of-use assets during 2021 were RMB15,196,000 (2020: RMB102,522,000).

17 Leases *(Continued)*

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
Buildings	(23,917)	(18,870)
Others	(254)	(435)
	(24,171)	(19,305)
Interest expense (included in finance cost)	(4,482)	(3,296)
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses)	(8,875)	(9,761)

The total cash outflow for leases in 2021 was RMB22,573,000 (2020: RMB20,684,000).

(iii) The Group's leasing activities and related accounting treatments

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years, and do not have extension options included in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18 Investment Properties

	2021 RMB'000	2020 RMB'000
Cost:		
At 1 January	**48,689**	–
Transfers from owner-occupied property (notes 15 & 19)	**10,483**	48,689
At 31 December	**59,172**	48,689
Accumulated depreciation:		
At 1 January	**(9,989)**	–
Transfers from owner-occupied property (notes 15 & 19)	**(1,139)**	(8,967)
Charge in year	**(1,255)**	(1,022)
At 31 December	**(12,383)**	(9,989)
Net book value:		
At 31 December	**46,789**	38,700

19 Lease prepayments

	2021 RMB'000	2020 RMB'000
Cost:		
At 1 January	**670,068**	695,964
Acquisition through business combination (note 47)	**2,525**	–
Additions	**62,508**	3,164
Transfers to investment properties (note 18)	**(10,483)**	(29,060)
Disposals	**(5,007)**	–
At 31 December	**719,611**	670,068
Accumulated amortisation:		
At 1 January	**(127,304)**	(117,813)
Charge for the year	**(15,117)**	(14,766)
Transfers to investment properties (note 18)	**1,139**	5,275
Written back on disposal	**2,668**	–
At 31 December	**(138,614)**	(127,304)
Net book value:		
At 31 December	**580,997**	542,764

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 26 to 48 years as at 31 December 2021 (2020: 27 to 49 years).

20 Intangible assets

	Technical know-how RMB'000	Tradename RMB'000	Trademarks RMB'000	Software RMB'000	Customer relationship RMB'000	Right of operation RMB'000	Total RMB'000
Cost:							
At 1 January 2020	301,247	74,738	240	21,047	47,000	21,000	465,272
Additions	11,065	3,111	3	3,515	–	–	17,694
Transfers from construction in progress (note 16)	–	–	–	16,371	–	–	16,371
Impairment charge	(8,000)	–	–	–	–	–	(8,000)
Exchange differences	2,037	2,052	7	122	–	–	4,218
At 31 December 2020	306,349	79,901	250	41,055	47,000	21,000	495,555
At 1 January 2021	**306,349**	**79,901**	**250**	**41,055**	**47,000**	**21,000**	**495,555**
Additions	**4,656**	**–**	**1,047**	**5,314**	**–**	**–**	**11,017**
Transfers from construction in progress (note 16)	**–**	**–**	**–**	**8,826**	**–**	**–**	**8,826**
Impairment charge	**(28,000)**	**–**	**–**	**–**	**–**	**–**	**(28,000)**
Exchange differences	**(9,017)**	**(4,651)**	**(121)**	**(849)**	**–**	**–**	**(14,638)**
At 31 December 2021	**273,988**	**75,250**	**1,176**	**54,346**	**47,000**	**21,000**	**472,760**
Accumulated amortisation:							
At 1 January 2020	(199,792)	(22,706)	(219)	(8,035)	(33,683)	(685)	(265,120)
Charge for the year	(26,439)	(4,982)	(16)	(3,949)	(7,700)	(913)	(43,999)
Exchange differences	(1,934)	(686)	(5)	(98)	–	–	(2,723)
At 31 December 2020	(228,165)	(28,374)	(240)	(12,082)	(41,383)	(1,598)	(311,842)
At 1 January 2021	**(228,165)**	**(28,374)**	**(240)**	**(12,082)**	**(41,383)**	**(1,598)**	**(311,842)**
Charge for the year	**(22,578)**	**(2,729)**	**–**	**(2,587)**	**(5,617)**	**(913)**	**(34,424)**
Exchange differences	**7,988**	**3,001**	**24**	**529**	**–**	**–**	**11,542**
At 31 December 2021	**(242,755)**	**(28,102)**	**(216)**	**(14,140)**	**(47,000)**	**(2,511)**	**(334,724)**
Net book value:							
At 31 December 2021	**31,233**	**47,148**	**960**	**40,206**	**–**	**18,489**	**138,036**
At 31 December 2020	78,184	51,527	10	28,973	5,617	19,402	183,713

20 Intangible assets *(Continued)*

The amortisation of the intangible assets has been charged to the following categories in the consolidated income statement:

	2021 RMB'000	2020 RMB'000
Cost of sales	913	913
Administrative expenses	33,511	43,086
	34,424	43,999

21 Interests in associates and joint venture

The movement of the interests in associates during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	192,370	161,430
Additions	33,547	26,395
Impairment loss	(948)	(910)
Dividend distribution	(5,040)	(4,850)
Share of post-tax profit of associates	(2,577)	5,998
Share of other comprehensive income of an associate	(16)	1
Share of capital reserve	–	4,306
Disposal (i)	(107,237)	–
At 31 December	110,099	192,370

(i) The entire interests in CIMC Finance Company Limited was disposed by the Group on 2 September 2021.

The movement of the interests in joint venture during the year is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	–	–
Additions	100,000	–
At 31 December	100,000	–

21 Interests in associates and joint venture *(Continued)*

Nature of mainly investments in associates and joint venture as at 31 December 2021

Name of entity	Nature of relationship	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest
Associate:				
Shanghai Tanklink Technology Development Co., Ltd.	Associate	PRC 12 March 2014	Registered and paid-in capital of RMB7,500,000	20%
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	Associate	PRC 22 March 2016	Registered and paid-in capital of RMB200,000,000	10%*
Shenzhen CIMC Huijie Supply Chain Co., Ltd.	Associate	PRC 13 July 2018	Registered and paid-in capital of RMB100,000,000	10%*
Guizhou Yinke Environmental Resources Co., Ltd.	Associate	PRC 17 January 2017/ PRC 13 January 2019	Registered and paid-in capital of RMB53,570,000 and RMB51,320,000 respectively	30.8%
Yichuan Tianyun Clean Energy Co., Ltd.	Associate	PRC 3 January 2019/ PRC 26 July 2019	Registered and paid-in capital of RMB80,000,000	43%
Joint Venture:				
Angang CIMC (Yingkou) New Energy Technology Co., Ltd.	Joint Venture	PRC 6 August 2021	Registered and paid-in capital of RMB200,000,000 and RMB nil respectively	50%

* The Group holds less than 20% of the ownership interest of the entities, however, the Group has significant influence in the entities as the Group has the right to appoint director(s) to the board of the entities. As at 31 December 2021 and 31 December 2020, the associates and the joint venture set above were immaterial to the Group.

22 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Enric Investment Group Limited	British Virgin Islands, limited liability company	Investment holding, 1 May 2002	Authorised and paid-in capital of USD50,000 and USD100 respectively	100%	100%	–	–
Enric (Bengbu) Compressor Company Limited	PRC, limited liability company	Manufacture and sale of compressors and related accessories 14 March 2002	Registered and paid-in capital of HKD60,808,385	–	–	100%	100%
Enric Anhui Investment Limited	British Virgin Islands, limited liability company	Investment holding, 29 April 2002	Authorised and paid in capital of USD50,000 and USD1 respectively	–	–	100%	100%
CIMC Hydrogen Technology limited (formerly known as Enric Shijiazhuang Investment Limited)	British Virgin Islands limited liability company	Investment holding, 29 April 2002	Authorised and paid in capital of USD50,000 and USD1,000 respectively	100%	100%	–	–
Shijiazhuang Enric Gas Equipment Company Limited	PRC, limited liability company	Manufacture and sale of clean energy pressure vessels 30 September 2003	Registered and paid-in capital of USD32,000,000	–	–	100%	100%
Enric Langfang Investment Limited	British Virgin Islands, limited liability company	Investment holding 14 September 2004	Authorised capital of USD50,000 and paid-in capital of USD1	–	–	100%	100%
Enric Integration (HK) Company Limited	Hong Kong, limited liability company	Investment holding 15 October 2007	Paid-in capital of HKD1	–	–	100%	100%
CIMC Enric Hong Kong Limited	Hong Kong, limited liability company	Investment holding 15 October 2007	Paid-in capital of HKD1	100%	100%	–	–
Enric (Langfang) Energy Equipment Integration Company Limited	PRC, limited liability company	Provision of integrated business solutions for gas equipment 28 December 2004	Registered and paid-in capital of HKD115,000,000	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Beijing Enric Energy Technologies Limited	PRC, limited liability company	Research and development of technology for application in natural gas equipment 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	–	100%	100%
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Jingmen")	PRC, limited liability company	Investment holding 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	–	100%	100%
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu") (i)	PRC, limited liability company	Manufacture and sale of clean energy related equipment 29 October 2004	Registered and paid-in capital of RMB100,000,000	–	–	90%	90%
Zhangjiagang Greenergy Cryogenic Engineering Company Limited ("Greenergy") (i)	PRC, limited liability company	Investment holding 2 November 2009	Registered and paid-in capital of RMB500,000	–	–	90%	90%
Sound Winner Holdings Limited	British Virgin Islands, limited liability company	Investment holding 11 December 2007	Authorised and paid-in capital of USD50,000 and USD10,000 respectively	100%	100%	–	–
Perfect Vision International Limited	British Virgin Islands, limited liability company	Investment holding 21 November 2007	Authorised and paid-in capital of USD50,000 and USD1 respectively	100%	100%	–	–
Win Score Investments Limited	Hong Kong, limited liability company	Investment holding 29 January 2008	Paid-in capital of HKD10,000	100%	100%	–	–
Charm Ray Holdings Limited	Hong Kong, limited liability company	Investment holding 28 January 2008	Paid-in capital of HKD10,000	100%	100%	–	–
CIMC Safeway Technologies Co., Ltd. ("CIMC Safe Tech") (ii)	PRC, limited liability company	Production and sales of tank containers 14 August 2003	Registered and paid-in capital of RMB510,000,000	–	–	90% (note (36(d))	90% (note (36(d))

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("Sanctum")	PRC, limited liability company	Design, production, sales and technical service of cryogenic storage and transportation equipment 7 December 1999	Registered and paid-in capital of RMB795,532,042 and RMB364,862,042 respectively	–	–	100%	100%
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd. ("Sanctum Special Equipment")	PRC, limited liability company	Manufacture and sale of clean energy pressure vessel 28 April 2009	Registered and paid-in capital of RMB30,000,000	–	–	100%	100%
CIMC Enric Investment Limited	British Virgin Islands, limited liability company	Investment holding 8 August 2008	Authorised capital of USD50,000 and paid-in capital of USD100	100%	100%	–	–
Coöperatie Vela Holding U.A.	The Netherlands limited liability company	Investment holding 29 August 2008	Member capital and paid-in capital of EUR18,000	–	–	100%	100%
CIMC Enric Tank and Process B.V.	The Netherlands limited liability company	Investment holding 16 July 1976	Authorised capital of EUR20,000,000 and paid-in capital of EUR14,038,200	–	–	100%	100%
Ziemann Holvrieka B.V.	The Netherlands limited liability company	Sales, manufacture and engineering of liquid food tanks 1 November 1963	Authorised and paid-in capital of EUR136,200	–	–	100%	100%
Noordkoel B.V.	The Netherlands limited liability company	Manufacture and sale of liquid food tanks 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	–	100%	100%
Ziemann Holvrieka International B.V.	The Netherlands limited liability company	Sales, engineering and manufacture of liquid food tanks 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Ziemann Holvrieka N.V.	Belgium limited liability company	Sales, engineering and manufacture of liquid food tanks 1 April 1966	Authorised and paid-in capital of EUR991,574.10	–	–	100%	100%
Ziemann Holvrieka A/S	Denmark limited liability company	Sales, engineering and manufacture of liquid food tanks 2 March 1978	Registered and paid-in capital of DKK1,000,001	–	–	100%	100%
Enric Gas Equipment Yangzhou Company Limited	PRC, limited liability company	Repair and maintenance of clean energy pressure vessels 3 October 2010	Registered and paid-in capital of RMB12,000,000	–	–	100%	100%
CIMC Enric Investment Holdings (Shenzhen) Limited ("EIHL")	PRC, limited liability company	Investment holding 10 December 2010	Registered and paid-in capital of USD80,000,000 and USD48,160,000 respectively	–	–	100%	100%
Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI")	PRC, limited liability company	Provision of clean energy project engineering services 15 September 2001	Registered and paid-in capital of RMB88,000,000	–	–	100%	100%
Nantong CIMC Energy Equipment Co., Ltd. ("Nantong Transport")	PRC, limited liability company	Manufacture and sales of clean energy related equipment 20 March 2007	Registered and paid-in capital of RMB69,945,000	–	–	100%	100%
Ziemann Holvrieka GmbH	Germany limited liability company	Sales, engineering and manufacturing of liquid food tanks 18 June 2010	Authorised and paid-in capital of EUR16,000,000	–	–	100%	100%
CIMC Enric SJZ Gas Equipment, INC.	U.S.A. limited liability company	Manufacture and sale of clean energy pressure vessels 14 February 2013	Registered and paid-in capital of USD900,000	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Enric Management Limited	British Virgin Islands, limited liability company	Investment holding 30 May 2014	Authorised capital of 50,000 no par value shares and paid-in capital of RMB20,000	100%	100%	–	–
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC, limited liability company	Manufacture and sale of clean energy pressure vessels 11 September 2014	Registered and paid-in capital of RMB20,000,000 and RMB10,000,000 respectively	–	–	100%	100%
Ziemann Holvrieka Asia Co., Ltd.	PRC, limited liability company	Manufacture and sale of liquid food tanks 20 December 2007	Registered and paid-in capital of USD47,700,000	–	–	100%	100%
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. ("Hashenleng") (i)	PRC, limited liability company	Provision of integrated business solutions for gas equipment 26 January 2010	Registered capital and paid-in capital of RMB50,000,000	–	–	85%	85%
Briggs Group Limited ("Briggs")	U.K., limited liability company	Investment holding 21 February 2008	Paid-in capital of GBP50,001	–	–	100%	100%
Briggs Holdings Limited	U.K., limited liability company	Investment holding 21 April 1994	Paid-in capital of GBP787,525	–	–	100%	100%
Briggs of Burton PLC	U.K., limited liability company	Liquid food process engineering 27 November 1986	Paid-in capital of GBP142,397	–	–	100%	100%
CIMC Enric Energy Engineering (S) Pte. Ltd. ("CEE")	Singapore, limited liability company	Engineering and manufacture services for the oil and gas industry 26 November 2014	Paid-in capital of SGD4,750,000	–	–	100%	100%
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd.	PRC, limited liability company	Design and manufacture of liquified gas carriers and marine oil and gas module 17 November 2006	Registered and paid-in capital of RMB1,223,916,838 and RMB1,183,886,838 respectively	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Anjiehui Internet of Things Information Technology (Suzhou) Co., Ltd.	PRC, limited liability company	Clean energy information technology 2 June 2017	Registered and paid-in capital of RMB3,000,000 and RMB1,500,000 respectively	–	–	100%	100%
Shanghai CIMC TZ Clean Energy Co., Ltd. ("ESH") (i)	PRC, limited liability company	Clean energy technology 9 February 2018	Registered and paid-in capital of RMB30,000,000	–	–	90%	90%
CIMC Nantong Port Development Co., Ltd ("NYX") (i)	PRC, limited liability company	Terminal and depot services 7 July 2018	Registered and paid-in capital of RMB4,285,710	–	–	70%	70%
CIMC Eco Building Technology Co., Ltd. ("GCT") (i)	PRC, limited liability company	Processing of non-metallic scrap 13 April 2018	Registered and paid-in capital of RMB60,000,000 and RMB56,650,000 respectively	–	–	76.67%	76.67%
CIMC Eco Building Technology (Lian Yun Gang) Co., Ltd. ("LYG") (i)	PRC, limited liability company	Comprehensive utilisation of ore 20 August 2018	Registered and paid-in capital of RMB35,000,000	–	–	80%	80%
CIMC Environmental Technology Co., Ltd. ("ENV") (i)	PRC, limited liability company	Environmental related technology research and equipment manufacturing 12 November 2018	Registered and paid-in capital of RMB60,000,000	–	–	90.66%	85.71%
CIMC Energy Equipment Service (Jiangsu) Co., Ltd. ("EFW") (i)	PRC, limited liability company	Inspection and maintenance of gas cylinders for natural gas vehicles 11 December 2018	Registered and paid-in capital of RMB15,000,000	–	–	70%	70%
Jiaxing Tank Service Co., Ltd. ("EBG") (i)	PRC, limited liability company	Provision of after-sales service for tank containers 20 March 2019	Registered and paid-in capital of RMB10,000,000	–	–	70%	70%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Ningxia Changming Natural Gas Development Ltd. ("ECM") (i)	PRC, limited liability company	Liquefaction of natural gas 31 March 2019	Registered and paid-in capital of RMB223,625,000 and RMB208,000,000 respectively	–	–	67.53%	67.53%
CIMC (Yunnan) Renewable Resources Co., Ltd. ("EYN") (i)	PRC, limited liability company	Collection, process and sale of renewable resources 25 April 2019	Registered and paid-in capital of RMB17,540,000	–	–	57.01%	57.01%
Shanxi Tianhao Clean Energy Co., Ltd. ("ESX") (i)	PRC, limited liability company	Liquefaction of natural gas and coalbed gas 25 April 2019	Registered and paid-in capital of RMB60,000,000	–	–	50%	50%
CIMC Enric Tank and Process Ltd.	Canada, limited liability company	Investment holding 5 February 2019	Registered and paid-in capital of CAD2,100,000	–	–	100%	100%
DME Process Systems Ltd. ("DME")	Canada, limited liability company	Canada 5 February 2019	Registered and paid-in capital of CAD1,210,000	–	–	100%	100%
CIMC Tank Engineering & Service Ltd. ("CTES")	U.K., limited liability company	R & D centre for Production and sales of tank containers 6 March 2020	Registered and paid-in capital of GBP500,000	–	–	100%	100%
Fairway Investment Holdings Limited ("FWI")	PRC, limited liability company	Investment holding 19 August 2020	Registered and paid-in capital of HKD60,000,000 and HKD 51,961,000 respectively	–	–	100%	100%
Shanghai Fushaokang Technology Co., Ltd ("FSK")	PRC, limited liability company	Investment holding 3 November 2020	Registered and paid-in capital of RMB2,008,860,000 and RMB1,300,000,000 respectively	–	–	100%	100%
Dionysus Investment Holdings Limited	PRC, limited liability company	Investment holding 11 November 2020	Registered and paid-in capital of RMB10,000	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of company	Place of incorporation and kind of legal entity	Principal Activities and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2021	2020	2021	2020
Zhangjiagang Dada Energy Equipment Co., Ltd ("DDZ")	PRC, limited liability company	Energy equipment manufacturing and design 20 October 2020	Registered and paid-in capital of RMB42,400,000	–	–	100%	100%
Lindenau Full Tank Services GmbH ("LFTS")	Germany, limited liability company	Transformation, sales and renovation of energy tank 24 January 2012	Registered and paid-in capital of EUR25,000	–	–	100%	100%
McMillan Coppersmiths & Fabricators Limited ("McMillan")	U.K., limited liability company	Manufacture of copper distiller for liquor 20 March 1982	Registered and paid-in capital of GBP10,000	–	–	100%	100%

(i) The Group's effective interests in Hongtu, Greenergy, Hashenleng, ESH, NYX, GCT, LYG, ENV, EFW, EBG, ECM, EYN, and ESX are 90%, 90%, 85%, 90%, 70%, 76.67%, 80%, 90.66%, 70%, 70%, 67.53%, 57.01%, and 50%, respectively. As at 31 December 2021, the non-controlling interests are immaterial to the Group.

(ii) As of the date of this report, all of the Group' s subsidiaries in China are limited liabilities companies except for CIMC Safe Tech which is a joint stock company.

23 Goodwill

	2021 RMB'000	2020 RMB'000
Cost		
At 1 January	**345,025**	322,049
Acquisition through business combination (note 47)	**24,832**	26,828
Disposal	**–**	(2,087)
Exchange differences	**(4,962)**	(1,765)
At 31 December	**364,895**	345,025
Less: Impairment provision		
At 1 January	**(108,224)**	(70,087)
Written off	**–**	2,087
Impairment charge	**–**	(40,224)
At 31 December	**(108,224)**	(108,224)
Net Goodwill	**256,671**	236,801

23 Goodwill *(Continued)*

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") as follows:

	2021 RMB'000	2020 RMB'000
Sanctum	**8,297**	8,297
CIMC Safe Tech	**7,265**	7,265
Hongtu	**27,221**	27,221
YPDI	**86,558**	86,558
Briggs	**76,983**	80,109
McMillan	**22,686**	23,435
LFTS	**2,829**	3,916
Talengtong	**5,513**	–
Wanxintai	**19,319**	–
At 31 December	**256,671**	236,801

For the significant amount of goodwill allocated to the CGU relating to YPDI, Hongtu, Briggs, McMillan and Wanxintai the key assumptions and discount rate used in the value-in-use calculations in 2021 and 2020 are as follows.

	YPDI		Hongtu		Briggs		McMillan		Wanxintai
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
Revenue (average annual growth rate)	**19%**	14%	**-1%**	5%	**13%**	2%	**8%**	3%	**1%**
Gross margin (% of revenue)	**9%**	12%	**16%**	12%	**41%**	40%	**45%**	45%	**8%**
Pre-tax discount rate	**15.62%**	16.66%	**15.03%**	15.06%	**14.31%**	13.32%	**12.97%**	13.12%	**16.33%**

Revenue refers to the average annual growth rate over the five-year forecast period. It is based on the CGU's growth forecasts and the average long-term growth rate for the relevant industry.

Gross margin refers to the average margin as a percentage of revenue over the five-year forecast period. It is determined based on the CGU's past performance and their expectations for market development.

Other operating costs are forecast based on the current structure of the business, adjusted for inflationary increases but not the effect of any future restructuring or cost saving measures that might be adopted. The amounts disclosed above are the average operating costs for the five-year forecast period.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

24 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2021 RMB'000	2020 RMB'000
Raw materials	**1,266,028**	1,073,485
Work in progress	**1,356,530**	1,721,276
Finished goods	**1,683,417**	1,129,025
Consignment materials	**6,378**	852
	4,312,353	3,924,638

(b) The analysis of the amount of inventories recognised as an expense and included in income statement is as follows:

	2021 RMB'000	2020 RMB'000
Cost of inventories	**11,129,768**	6,856,187
Cost from project engineering projects	**4,588,993**	3,338,657
Write-down of inventories	**18,047**	43,616
Reversal of write-down of inventories	**(5,541)**	(5,869)
Raw material consumed for research and development	**228,195**	115,768
	15,959,462	10,348,359

(c) The movements of allowance for impairment are analysed as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**116,332**	84,214
Allowance for impairment	**18,047**	43,616
Write-off due to disposal of impaired inventory	**(6,030)**	(5,654)
Reversal of allowance	**(5,541)**	(5,869)
Exchange differences	**(792)**	25
At 31 December	**122,016**	116,332

25 Trade and bills receivables

	2021 RMB'000	2020 RMB'000
Trade debtors receivables	**2,833,114**	2,340,898
Less: allowance for doubtful debts	**(295,096)**	(328,561)
	2,538,018	2,012,337
Bills receivables (i)	**411,211**	376,810
	2,949,229	2,389,147

(i) As at 31 December 2021, amounts of RMB104,475,000 represent bank acceptance bills classified as financial assets at fair value through other comprehensive income, which the Group had discounted or endorsed to financial institutions for treasury management purposes (2020: RMB376,810,000). Amounts of RMB25,091,000 and RMB281,645,000 represent trade acceptance bills and bank acceptance bills, respectively classified as financial assets at amortised cost, which the Group has intended to hold until maturity (2020: nil).

As at 31 December 2021, amounts of RMB47,018,000 and RMB8,135,000 represent bank acceptance bills and trade acceptance bills, respectively, which the Group had endorsed to financial institutions but they did not meet the criteria of derecognition. As a result, the amounts remained on-book as RMB47,018,000 and RMB8,135,000 on the financial statements (2020: RMB96,122,000 for the bank acceptance bills).

(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:

	2021 RMB'000	2020 RMB'000
Current	**2,441,212**	1,859,835
Less than 3 months past due	**241,337**	190,409
More than 3 months but less than 12 months past due	**134,948**	202,477
More than 1 year but less than 2 years past due	**86,752**	98,042
More than 2 years but less than 3 years past due	**32,947**	14,721
More than 3 years but less than 5 years past due	**12,033**	23,663
Amounts past due	**508,017**	529,312
	2,949,229	2,389,147

Trade and bills receivables are expected to be settled within one year. In general, debts are due for payment upon 30 to 90 days after billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trade and payment history on a case-by-case basis. Details of the Group's credit policy are set out in note 5(a)(ii).

25 Trade and bills receivables *(Continued)*

(b) Fair values of trade and bills receivables

The carrying amounts of the Group's trade and bills receivables as at 31 December 2021 and 31 December 2020 approximated their fair values.

(c) Impairment and risk exposure

The loss allowance decreased by RMB33,465,000 from RMB328,561,000 as at 1 January 2021 to RMB295,096,000 as at 31 December 2021 for trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk was included in note 5(a).

26 Deposits, other receivables and prepayments

	2021 RMB'000	2020 RMB'000
Advances to suppliers	**608,236**	479,031
Deductible input value-added tax and other refundable taxes	**369,406**	220,854
Deposits for tenders and contract work	**177,065**	124,879
Prepayments for services	**17,179**	17,810
Staff advances	**39,383**	15,580
Others	**9,875**	6,509
Less:		
Loss allowance	**(8,404)**	(9,338)
	1,212,740	855,325

27 Restricted bank deposits

	2021 RMB'000	2020 RMB'000
Deposits for performance guarantees	**437,129**	309,498

28 Cash and cash equivalents

	2021 RMB'000	2020 RMB'000
Cash in hand and demand deposits	**3,173,351**	2,560,890

29 Financial instruments at fair value through profit or loss

The Group classifies the following financial instruments at fair value through profit or loss.

(a) Wealth management products

	2021 RMB'000	2020 RMB'000
Wealth management products	–	61,430

(b) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss below. The Group has the following derivative financial instruments.

	2021		2020	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts – held for trading	52,488	–	25,685	1,037

As at 31 December 2021 and 2020, the Group held forward foreign currency contracts to manage currency risk on expected future payments to suppliers for which the Group has firm commitments.

As at 31 December 2021, the Group had certain unsettled forward contracts, mainly denominated in United States Dollars (USD) and Euro (EUR). The nominal value of these contracts amounted to USD472,314,000 and EUR14,729,000, respectively. Pursuant to these forward contracts, the Group is required to buy/sell foreign currencies, such as USD and EUR of contracted nominal value at agreed rates in exchange for RMB at the contract settlement dates. These forwards contracts will be settled on a net basis by comparing the market rates at the settlement dates and the agreed rates. The settlement dates of the aforesaid forwards contracts range from 10 January 2022 to 30 December 2022.

(c) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value refer to note 4.

(d) Contingent Consideration

As at 31 December 2021, the contingent consideration amounted to RMB404,000, details refer to note 47(d).

30 Bank loans

(a) The bank loans were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	106,595	24,941
After 1 year but within 2 years	6,000	270,996
After 2 years but within 5 years	137,640	–
	250,235	295,937

(b) At 31 December 2021, all bank loans of the Group were unsecured.

(c) The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	127,595	20,000
USD	–	267,521
HKD	122,640	8,416
	250,235	295,937

(d) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain financial ratios of the Group. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5(b).

31 Trade and bills payables

	2021 RMB'000	2020 RMB'000
Trade creditors	2,763,209	2,203,357
Bills payables	539,559	257,666
	3,302,768	2,461,023

31 Trade and bills payables *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Within 3 months	**2,309,723**	2,022,138
3 months to 12 months	**827,661**	260,230
Over 12 months	**165,384**	178,655
	3,302,768	2,461,023

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

32 Other payables and accrued expenses

	2021 RMB'000	2020 RMB'000
Accrued expenses	**508,921**	548,464
Employees' salary bonus and welfare	**466,946**	397,159
Preacquisition restructuring liabilities of a subsidiary	**30,549**	63,076
Deposits received	**65,736**	80,903
Payables in relation to share option and share award schemes	**47,704**	68,360
Other taxes payable	**219,795**	229,965
Payables for construction work	**217,924**	60,680
Other surcharges payable	**22,773**	20,205
Payables in relation to share-based transactions of a subsidiary (note 36(d))	**139,719**	139,719
Capital contribution payable for investment in a joint venture (i)	**100,000**	–
Others	**17,888**	35,221
	1,837,955	1,643,752

(i) Pursuant to an agreement dated 26 May 2021, EIHL (a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Angang Energy Technology Co., Ltd. whereby EIHL will invest RMB100,000,000 as capital contribution and holds a 50% equity interest in the joint venture.

(ii) All other payables and accrued expenses are expected to be settled within one year.

33 Warranty provision

	2021 **RMB'000**	2020 RMB'000
At 1 January	**185,514**	181,795
Additional provision made	**90,510**	73,901
Reversal of provision	**(52,963)**	(36,962)
Provisions utilised	**(42,930)**	(35,736)
Exchange differences	**(8,009)**	2,516
At 31 December	**172,122**	185,514
Represented by:		
Current portion	**54,476**	98,659
Non-current portion	**117,646**	86,855
Balance at 31 December	**172,122**	185,514

The Group provides one to three years' warranty for certain products. Provision is made based on the best estimate of expected cost to be incurred within the warranty period under these arrangements in respect of sales made prior to the balance sheet date. The amount of provision has taken into account the Group's recent claim experience.

34 Other borrowings

Other borrowings represent the Group's obligations arising from sales and leaseback transactions where the leases are regarded as finance leases. Management considers that the transactions are structured in a way for the lessors to provide finance to the Group, with the underlying leased assets as security. The borrowings are repaid by instalments within five years.

	2021 RMB'000	2020 RMB'000
Payments in relation to other borrowings as follows:		
Within one year	**5,213**	16,346
Later than one year but not later than two years	**–**	19,142
Later than two year but not later than three years	**–**	13,169
Later than three years	**–**	6,584
Total payments	**5,213**	55,241
Future finance charges	**(133)**	(5,595)
Total other borrowings	**5,080**	49,646
The present value of other borrowings is as follows:		
Within one year	**5,080**	13,449
Later than one year but not later than two years	**–**	17,378
Later than two year but not later than three years	**–**	12,311
Later than three years	**–**	6,508
Total other borrowings	**5,080**	49,646

35 Convertible bonds

On 30 November 2021, the Company issued 5-year zero coupon convertible bonds at a principal amount of HKD1,680,000,000 pursuant to the relevant subscription agreement dated on 16 November 2021.

Upon the occurrence of certain events specified in the agreement, the bondholders will have the right to require the Company to redeem all or some of such holder's bonds on 30 November 2024 at their principal amount, together with unpaid default interest thereon (if any).

Bondholders may convert their bonds into ordinary shares at any time on or after 10 January 2022 up to the 10th day prior to November 30, 2026. Conversion shares will be issued upon full conversion of the convertible bond based on the contracted conversion price of HKD11.78 per share. As at the date of approval of these financial statements, no conversion shares had been issued under the convertible bonds.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at its principal amount, together with accrued and unpaid interest thereon, on 30 November 2026 or in certain circumstances specified in the agreement.

35 Convertible bonds *(Continued)*

The convertible bonds are a compound instrument consisting of a liability component and an equity component.

There are embedded derivatives in respect of the early redemption features of the convertible bonds. Such embedded derivatives are deemed to be clearly and closely related to the host contract and therefore do not need to be separately accounted for.

As at the date of issue, the fair value of the liability component and the equity component of the convertible bond was disclosed as below:

	2021 RMB'000
Principal amount	1,374,106
Transaction cost	(18,002)
Liability component	(1,232,160)
Equity component	123,944

Subsequent to the initial recognition, the liability component of the convertible bonds has been carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the convertible bond was 2.9% per annum as at 31 December 2021. The movement of the liability component and the equity component of the convertible bonds for the year ended 31 December 2021 is set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January, 2021	–	–	–
Issuance	1,232,160	123,944	1,356,104
Interest charged	3,348	–	3,348
Exchange differences	(528)	–	(528)
As at 31 December, 2021	1,234,980	123,944	1,358,924

The equity component will remain in convertible bonds equity reserve until the embedded conversion option is exercised or the convertible bonds reach maturity.

If the convertible bonds were fully converted as at 31 December 2021, 142,614,601 ordinary shares would have been issued.

36 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee upon acceptance of the share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its contracted exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 31 December 2021, no option under Scheme II had been granted.

(i) The terms and conditions at the date of grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 28 October 2011	3,150,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	2,700,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	35,720,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	76,620,000		

36 Equity-settled share-based transactions *(Continued)*

(a) Share option scheme *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD8.26**	**48,634,000**	HKD8.24	50,456,000
Exercised during the year	**HKD2.80**	**(16,725,000)**	HKD2.48	(562,000)
Lapsed during the year	**HKD10.41**	**(450,000)**	HKD10.41	(1,260,000)
Outstanding at the end of the year	**HKD11.24**	**31,459,000**	HKD8.26	48,634,000
Exercisable at the end of the year		**31,459,000**		48,634,000

The options outstanding at 31 December 2021 had an exercise price of HKD11.24 (2020: HKD2.48 and HKD11.24) and a weighted average remaining contractual life of 2.427 years (2020: 2.539 years).

(iii) Fair value of share options and assumptions

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the share options granted are measured based on a binomial lattice model. The contractual lives of the share option are used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Date granted	28 October 2011	5 June 2014
Fair value at measurement date	HKD1.02	HKD4.70
Share price	HKD2.48	HKD11.00
Exercise price	HKD2.48	HKD11.24
Expected volatility	55.98%	45.89%
Option life	10 years	10 years
Expected dividends	2.67%	1.55%
Risk-free interest rate	1.57%	2.04%

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities based on publicly available information. Expected dividends are based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

36 Equity-settled share-based transactions *(Continued)*

(b) Restricted share award scheme

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

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

Under the terms of the Award Scheme, upon the fulfillment of certain vesting conditions, the restricted shares shall be vested by 30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively. The first two traches at 30% each had been vested in 2018 and 2019 according to schedule but the remaining 40% were forfeited in 2020 as certain vesting conditions could not be met.

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

	2021	2020
Number of awarded shares		
Outstanding at the beginning of the year	**19,036,700**	32,453,750
Vested during the year	**–**	(13,417,050)
Unvested and sold in the market during the year	**(19,036,700)**	–
Outstanding as at 31 December	**–**	19,036,700

The fair value of the restricted shares issued was assessed based on the market price of the Company's shares at the grant date. The expected dividends and time value of money for the expected dividends during the vesting period were taken into account when assessing the fair value of the awarded shares.

The weighted average fair value of restricted shares granted on 10 August 2018 was HKD6.70 per share (equivalent to approximately RMB5.67 per share).

36 Equity-settled share-based transactions *(Continued)*

(c) Share award scheme 2020

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

During the year ended 31 December 2021, the trustee purchased 39,198,000 shares (2020: 37,074,000 shares) of the Company, on open market, under the Award Scheme 2020.

On 17 November 2021 (the "Grant Date"), the Company granted 33,324,006 shares (the "granted shares" to selected participants. The granted shares are held by the trustee on behalf of the selected participants until the granted shares are vested. Selected participants are entitled to the related distribution derived from the relevant shares during the period from the date of the issue to the vesting date (both dates inclusive) of such granted shares, which shall however only be vested by the relevant selected participant on the vesting date subject to fulfilment of vesting conditions.

The selected participants include certain Directors of the Company, certain members of senior management and employees of the Group who under the terms of the Award Scheme 2020 subscribed for the grant shares at HKD 3.70 per share (the "Subscription Price").

Under the terms of the Award Scheme 2020, if the vesting conditions are fulfilled, the granted shares shall be vested by 35.8%, 32.2% and 32.0% by April 2022, April 2023 and April 2024, respectively.

For the selected participants who do not meet the vesting conditions, the unvested granted shares remaining at the end of the Award Scheme 2020 are to be forfeited.

	2021
Number of granted shares	
Granted during the year	33,324,006
Vested during the year	–
Outstanding as at 31 December	33,324,006

The fair value of the granted shares issued was assessed based on the market price of the Company's shares at the grant date. The expected dividends and time value of money for the expected dividends during the vesting period were taken into account when assessing the fair value of the granted shares.

The weighted average fair value of granted shares that were granted in 17 November 2021 was HKD3.76 per share (equivalent to approximately RMB3.07 per share). The expenses arising from the Award Scheme 2020 that were recognised during the year amounted to RMB14,372,000 (2020: nil).

36 Equity-settled share-based transactions *(Continued)*

(d) Share award scheme of a subsidiary

The Board of the Company approved the adoption of a Share Award Scheme of a subsidiary, CIMC Safe Tech (or the "Safe Tech Award Scheme ") on 27 November 2020 to recognise past contributions and to incentivise future contributions by the participants to the chemical and environmental business unit. Pursuant to the Safe Tech Award Scheme, equity interests in CIMC Safe Tech will be granted to the participants through a partnership platforms (the "Partnership Platforms") by way of subscribing for new share capital in CIMC Safe Tech.

The total capital contribution made by the participants (through the Partnership Platforms) of the Safe Tech Award Scheme was approximately RMB139,719,000, representing 10% of the enlarged share capital of CIMC Safe Tech upon completion of the increase of the share capital pursuant to the scheme. As at 31 December 2021, the vesting conditions had not been fulfilled and the selected participants were not entitled to any distribution made by CIMC Safe Tech. The expenses arising from the CIMC Safe Tech Award Scheme recognised during the year were RMB21,885,000 (2020: RMB1,380,000).

37 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet:

	2021 RMB'000	2020 RMB'000
Current tax payable at the beginning of the year	**131,764**	51,226
Provision for income tax on profit for the year	**331,136**	228,655
Current tax paid	**(276,455)**	(150,362)
Exchange differences	**7,713**	2,245
Current tax payable at the end of the year	**194,158**	131,764

(b) Deferred tax assets and liabilities recognised:

	2021 RMB'000	2020 RMB'000
Deferred tax assets recognised on the consolidated balance sheet	**115,918**	99,451
Deferred tax liabilities recognised on the consolidated balance sheet	**(96,058)**	(175,337)
Deferred tax assets/(liabilities) (net)	**19,860**	(75,886)

As at 31 December 2021, the amount of RMB21,766,000 had been offseted between deferred tax assets and deferred tax liabilities.

37 Income tax in the consolidated balance sheet *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Provision for impairment losses RMB'000	Provision for product warranties RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Gains on debt restructuring RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	135,031	10,929	31,826	115,879	(227,475)	(110,362)	(47,975)	5,464	1,007	(85,676)
(Charged)/credited to the income statement	(50,813)	(1,131)	(3,171)	(75,078)	113,738	13,440	27,672	(11,827)	(365)	12,465
Addition through business combination	–	–	–	–	–	–	324	–	–	324
Exchange differences	–	–	–	–	–	(2,749)	(280)	–	30	(2,999)
At 31 December 2020	84,218	9,798	28,655	40,801	(113,737)	(99,671)	(20,259)	(6,363)	672	(75,886)
At 1 January 2021	**84,218**	**9,798**	**28,655**	**40,801**	**(113,737)**	**(99,671)**	**(20,259)**	**(6,363)**	**672**	**(75,886)**
(Charged)/credited to the income statement	**(5,202)**	**7,017**	**13,198**	**(40,801)**	**113,737**	**11,968**	**5,189**	**(13,957)**	**(1,555)**	**89,594**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**4,982**	**1,211**	**–**	**(41)**	**6,152**
At 31 December 2021	**79,016**	**16,815**	**41,853**	**–**	**–**	**(82,721)**	**(13,859)**	**(20,320)**	**(924)**	**19,860**

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB742,676,000 (2020: RMB1,939,820,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation. Tax losses of approximately RMB421,370,000, RMB78,287,000, RMB50,872,000, RMB85,904,000, RMB106,243,000 will expire in 2022, 2023, 2024, 2025, and 2026, respectively.

38 Deferred income

	2021 RMB'000	2020 RMB'000
At 1 January	**282,018**	235,858
Additions	**11,751**	56,947
Recognised in the income statement	**(13,561)**	(10,787)
At 31 December	**280,208**	282,018

Deferred income mainly represents government grants obtained for the purposes of sponsoring the costs of construction of plants incurred by the Group. The related deferred income was recognised in the income statement over the useful life of the assets to match the depreciation charge of the relevant assets after the completion.

39 Employee benefit liabilities

Employee benefit liabilities represent provision for jubilee benefits, a defined contribution scheme, which are payable to the employees under the employment benefit schemes operated by the Group.

40 Capital and reserves

(a) Share capital

	2021 Number of shares	2021 RMB'000	2020 Number of shares	2020 RMB'000
Authorised:				
Ordinary shares of the Company of HKD 0.01 each (i)	10,000,000,000		10,000,000,000	
Non-redeemable convertible preference shares of the Company of HKD 0.01 each (ii)	2,000,000,000		2,000,000,000	
Issued and fully paid:				
Ordinary shares				
At 31 December	2,027,719,588	18,516	2,010,994,588	18,376

A summary of the above movements in issued share capital of the Company is as follows:

	2021 Number of shares of HKD 0.01 each	2021 RMB'000	2020 Number of shares of HKD 0.01 each	2020 RMB'000
At 1 January	2,010,994,588	18,376	2,010,432,588	18,371
Exercise of share options (note 36(a))	16,725,000	140	562,000	5
At 31 December	2,027,719,588	18,516	2,010,994,588	18,376

40 Capital and reserves *(Continued)*

(a) Share capital *(Continued)*

(i) The Company was incorporated in the Cayman Islands under the Companies Law (Revised) as an exempted company with limited liability on 28 September 2004.

On 20 July 2006, the Company listed its entire issued share capital by way of introduction on the Main Board of the Hong Kong Stock Exchange.

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 26 June 2009, the Company's authorised share capital was increased from HKD100,000,000 to HKD120,000,000 by the creation of 2,000,000,000 non-redeemable convertible preference shares ("Convertible Preference Shares") of HKD0.01 each.

The Convertible Preference Shares are non-redeemable by the Company. The holders of the Convertible Preference Shares ("Convertible Preference Shareholders") may request the Company to convert one Convertible Preference Share into one ordinary share during the period from the date of allotment and issue of the Convertible Preference Shares to the date the Company passes a voluntary winding up resolution or is otherwise placed into liquidation. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of paid-up amounts of the Convertible Preference Shares, and the Convertible Preference Shareholders shall not have the right to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the Convertible Preference Shares.

As at 31 December 2021 and 2020, no convertible preference shares of the Company had been issued.

40 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Contributed surplus

The contributed surplus of the Group includes the sum of difference between

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

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

(c) the registered capital of Nantong Transport acquired at RMB69,945,550; and the aggregate cash consideration paid by the Group of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012;

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

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

(iii) Capital reserve

The capital reserve of the Group includes

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

(b) the capital reserve arising from the transactions with non-controlling interests (Note 46).

(c) the capital reserve arising from conversion of a subsidiary from a limit liability company into a joint stock company.

(iv) Convertible bonds reserve

the convertible bonds reserve of RMB123,944,000 arising the equity component from issue of convertible bonds (note 35).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements denominated in foreign currencies to Renminbi.

40 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vi) General reserve fund

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

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

(vii) Distributable reserves

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

At 31 December 2021, the Company had RMB5,477,305,000 available for distribution to equity shareholders of the Company (2020: RMB5,386,356,000).

(viii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group regards net debt as total debt (as defined as including the items in the table below) less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

40 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(viii) Capital management *(Continued)*

Consistent with the Group's capital management strategy in 2020, the Group aims to maintain the net debt to adjusted capital ratio within 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to adjusted capital ratio is as follows:

	Note	2021 RMB'000	2020 RMB'000
Total liabilities			
Bank loans	30	**250,235**	295,937
Loans from related parties	45(d)	**357,147**	667,506
Trade and bills payables	31	**3,302,768**	2,461,023
Contract liabilities	14(d)	**2,418,878**	2,438,378
Other payables and accrued expenses	32	**1,837,955**	1,643,752
Amounts due to related parties	45(c)	**267,238**	146,532
Other borrowings	34	**5,080**	49,646
Warranty provision	33	**172,122**	185,514
Lease liabilities	17	**103,814**	120,505
Convertible bonds	35	**1,234,980**	–
Total debt		**9,950,217**	8,008,793
Less: Cash and cash equivalents	28	**(3,173,351)**	(2,560,890)
Net debt		**6,776,866**	5,447,903
Total equity		**8,499,677**	7,471,358
Less: Dividends paid	12	**(235,891)**	(241,812)
Adjusted capital		**8,263,786**	7,229,546
Net debt to adjusted capital ratio		**82%**	75%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

41 Retirement benefits

The subsidiaries in the PRC participate in government pension schemes whereby they are required to pay annual contributions at certain rates of the basic salaries of their PRC employees. Under these schemes, retirement benefits of the existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, employees contributions are subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

42 Cash flow information

(a) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions except for the additions of the right-of-use assets described in Note 17, the share-based compensation described in Note 36 for the years ended 31 December 2021.

(b) Net debt reconciliation

This section sets out reconciliation of liabilities arising from financing activities for the period presented.

	Liabilities from financing activities					
	Bank loans due within 1 year	Bank loans due after 1 year	Loans from related parties	Other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2019	(263,955)	(544,144)	(186,402)	(60,041)	(35,622)	(1,090,164)
Cash flows	231,093	254,650	(481,104)	13,083	20,684	38,406
Interest charge	–	–	–	(2,688)	(3,296)	(5,984)
Addition – leases	–	–	–	–	(102,335)	(102,335)
Other charges (i)	7,921	18,498	–	–	64	26,483
Net debt as at 31 December 2020	(24,941)	(270,996)	(667,506)	(49,646)	(120,505)	(1,133,594)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42 Cash flow information *(Continued)*

(b) Net debt reconciliation *(Continued)*

	Liabilities from financing activities						
	Bank loans due within 1 year RMB'000	Bank loans due after 1 year RMB'000	Loans from related parties RMB'000	Other borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 31 December 2020	(24,941)	(270,996)	(667,506)	(49,646)	(120,505)	–	(1,133,594)
Cash flows	(74,890)	130,060	347,002	44,700	22,573	(1,356,104)	(886,659)
Interest charge	(6,274)	(7,472)	(36,643)	(134)	(4,482)	(3,348)	(58,353)
Addition – leases	–	–	–	–	(5,340)	–	(5,340)
Equity recognition	–	–	–	–	–	123,944	123,944
Acquisition through business combination	(675)	–	–	–	–	–	(675)
Other charges (i)	185	4,768	–	–	3,940	528	9,421
Net debt as at 31 December 2021	(106,595)	(143,640)	(357,147)	(5,080)	(103,814)	(1,234,980)	(1,951,256)

(i) Other charges include foreign exchange differences which are presented as non-cash adjustment in operating cash flow in the statement of cash flow.

43 Contingencies

(a) Performance guarantees

As at 31 December 2021, the Group had outstanding performance guarantees issued by relevant banks totalling RMB1,335,928,000 (31 December 2020: RMB771,653,000).

44 Commitments

(a) Capital commitments outstanding at 31 December 2021 and not provided for in the financial statements are as follows:

	2021 RMB'000	2020 RMB'000
Contracted for – Production facilities	49,394	40,049

(b) At 31 December 2021, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	2,721	10,919
After 1 year but within 5 years	61	–
	2,782	10,919

45 Material related party transactions

Saved as disclosed in other notes of these financial statements, the following transactions were carried out with CIMC and its subsidiaries and associates:

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions

		2021 RMB'000	2020 RMB'000
Sales	(i)	**317,896**	85,702
Purchases	(ii)	**419,639**	232,705
Comprehensive charges	(iii)	**2,707**	7,595
Processing charges	(iv)	**19,146**	23,808
Processing income	(v)	**280**	230
Office services income	(vi)	**1,267**	5,417
Loans from related parties	(vii)	**1,283,463**	1,842,000
Repayment of loans from related parties	(vii)	**1,593,822**	1,360,896
Loan interest expenses	(vii)	**26,005**	10,849
Deposit service	(viii)	**417,912**	418,410
Interest income from deposits	(viii)	**3,922**	2,615
Subcontracting charges	(ix)	**255,946**	52,685

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 3.80% to 4.75% (2020: 3.80% to 4.75%) per annum and are repayable between one to four years.

(viii) Deposit service represents deposit acceptance service provided by a related party to the Group. The amount represents the maximum daily outstanding balance of the Group's deposits placed with a related party. The deposits bear interest from 0.74% to 2.46% (2020: 0.46% to 2.46%) and can be withdrawn on demand.

45 Material related party transactions *(Continued)*

(a) Transactions with CIMC and its subsidiaries and associates *(Continued)*

Nature of transactions *(Continued)*

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

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

(b) Remuneration for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 10, certain highest paid employees as disclosed in note 11 and other key management personnel is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	38,344	29,386
Share-based compensation benefits (i)	5,557	1,863
	43,901	31,249

(i) Share-based compensation benefits in relation to the Company's restricted share award schemes.

(ii) Total remuneration is included in "staff costs" (see note 8(b)).

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

	2021 RMB'000	2020 RMB'000
Trade receivables for products sold and other receivables	184,098	99,366
Trade payables for raw material purchased and receipts in advance for sales	(267,238)	(146,532)

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

(d) Loans from related parties

	2021 RMB'000	2020 RMB'000
Loans from CIMC Finance	156,940	587,254
Loan from CIMC	200,207	80,252

45 Material related party transactions *(Continued)*

(d) Loans from related parties *(Continued)*

Represented by:

	2021 RMB'000	2020 RMB'000
Current portion	301,022	667,506
Non-current portion	56,125	–
	357,147	667,506

(i) The loans are unsecured, bearing interest from 3.80% to 4.75% (2020: 3.80% to 4.75%) per annum and are repayable between one to four years.

(e) Deposits placed with CIMC Finance

	2021 RMB'000	2020 RMB'000
Deposits	401,334	404,854

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

(ii) The deposits are included as part of the Group's cash and cash equivalents (note 28).

(f) Other borrowings from a related party

	2021 RMB'000	2020 RMB'000
Other borrowings	–	35,852

(i) As at 31 December 2021, there were no other borrowings from a related party (2020: bearing interest of 6.51%) per annum.

(g) Amounts due from a joint venture of the Group

	2021 RMB'000	2020 RMB'000
Loan to a joint venture	10,000	–

(i) The loan is unsecured, bearing interest at 3.48% per annum and is repayable within one year.

46 Transactions with non-controlling interests

There is no transaction with non-controlling interests, the details of acquisition of additional interests in three subsidiaries of year 2020 as below.

(a) On 17 August 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 25% of ordinary shares of Hashenleng held by its non-controlling interest shareholders at a consideration of RMB21,875,000.

On 19 November 2020, the transaction was completed. The carrying amount of the non-controlling interests of Hashenleng as of the completion date of acquisition was RMB38,532,000. The Group recognised a decrease in non-controlling interests of RMB38,532,000 and an increase in capital reserve of the Company of RMB16,657,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during 2020 is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	21,875
Carrying amount of non-controlling interests acquired	(38,532)
Excess of consideration paid recognised within equity	(16,657)

The consideration had been fully settled in 2020.

(b) On 31 August 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 30% of ordinary shares of EBG held by the non-controlling interest shareholders at the consideration of RMB3,000,000.

On 31 August 2020, the transaction was completed. The carrying amount of the non-controlling interests of EBG as of the completion date of acquisition was RMB1,883,000. The Group recognised a decrease in non-controlling interests of RMB1,883,000 and a decrease in capital reserve of the Company of RMB1,117,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during 2020 is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	3,000
Carrying amount of non-controlling interests acquired	(1,883)
Excess of consideration paid recognised within equity	1,117

The consideration had been fully settled in 2020.

46 Transactions with non-controlling interests *(Continued)*

(c) On 28 September 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 25% of ordinary shares of GCT held by the non-controlling interest shareholders at the consideration of RMB3,000,000.

On 19 November 2020, the transaction was completed. The carrying amount of the non-controlling interests of GCT on the completion date of acquisition was RMB3,221,000. The Group recognised a decrease in non-controlling interests of RMB3,221,000 and an increase in capital reserve of the Company of RMB221,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during 2020 is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	3,000
Carrying amount of non-controlling interests acquired	(3,221)
Excess of consideration paid recognised within equity	(221)

The consideration had been fully settled in 2020.

47 Business combinations

(a) On 1 April 2021, the Group acquired 60% shares of Jingbian Talengtong Natural Gas Co., Ltd. (靖邊縣塔冷通天然氣有限公司, "Talengtong"), a company that is principally engaged in natural gas trading, at a consideration of RMB16,189,000 from third parties.

(b) On 1 April 2021, the Group acquired 60% shares of Yulin Wanxintai Industry and Trade Co., Ltd. (榆林市万鑫泰工貿有限公司, "Wanxintai"), a company that is principally engaged in natural gas distribution through a natural gas refueling station, at a consideration of RMB 24,246,000 from third parties.

47 Business combinations *(Continued)*

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

	Talengtong RMB'000	Wanxintai RMB'000	Total RMB'000
Purchase consideration			
– Cash paid	15,840	14,160	30,000
– Consideration payable	–	9,440	9,440
– Contingent considerations (d)	349	646	995
Total purchase consideration	16,189	24,246	40,435

Preliminary recognised amounts of identifiable assets acquired and liabilities assumed:

		Provisional Fair value	
	Talengtong RMB'000	Wanxintai RMB'000	Total RMB'000
Cash and cash equivalents	21	307	328
Property, plant and equipment	339	7,973	8,312
lease prepayments	–	2,525	2,525
Construction in progress	22,697	–	22,697
Bank loans	–	(675)	(675)
Trade and bills receivables, other receivables deposits and prepayments	36,038	115	36,153
Trade and bills payables, other payable and accrued expense	(41,301)	(2,033)	(43,334)
Total identifiable net assets	17,794	8,212	26,006
Non-controlling interests	(7,118)	(3,285)	(10,403)
Goodwill	5,513	19,319	24,832
	16,189	24,246	40,435

	Talengtong RMB'000	Wanxintai RMB'000	Total RMB'000
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	25,400	22,900	48,300
– cash and cash equivalents in the subsidiaries acquired	(21)	(307)	(328)
Net cash outflow on acquisition	25,379	22,593	47,972

47 Business combinations *(Continued)*

(d) Contingent considerations

The net contingent consideration of RMB349,000 payable by the Group to the former owners of Talengtong consists of a contingent consideration payable of RMB5,280,000 and a contingent consideration receivable of RMB4,931,000. The RMB5,280,000 consideration payable by the Group is contingent upon obtaining the land use right certificate or the contractual right to use the land (where the gas well is located) by Talengtong. The fair value of RMB5,280,000 was estimated based on the probability of fulfilling the requirement without applying any discount on the amount, because the consideration is expected to be settled within one year from the date of business combination. The contingent consideration receivable of RMB4,931,000 by the Group is contingent upon the future financial performance of Talengtong. The fair value of RMB4,931,000 was estimated based on the value of probable future cash inflow extending beyond one year of the business combination and applying an appropriate discount rate to arrive at the present value.

The contingent consideration of RMB646,000 payable by the Group to the former owners of Wanxintai is contingent upon the future financial performance of Wanxintai. The fair value of RMB646,000 was estimated based on the value of probable future cash outflow extending beyond one year of the business combination and applying an appropriate discount rate to a present value.

On 21 December 2021, the Group entered into supplemental agreements with the former owners of Talengtong and Wanxintai to revise the future financial performance commitment. The revised contingent consideration receivable of RMB330,000 and RMB74,000 by the Group are contingent upon the future financial performance of Talengtong and Wanxintai respectively. The fair value of RMB330,000 and RMB74,000 were estimated based on the value of probable future cash outflow extending beyond one year of the business combination and applying an appropriate discount rate to a present value for Talengtong and Wanxintai respectively.

(e) Revenue and profit contribution

The acquired business contributed revenues of RMB438,926,000 and net profit of RMB3,924,000 to the group for the period from 1 April to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been RMB18,891,506,000 and RMB903,080,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

(f) Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Talengtong and Wanxintai. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

48 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**7**	–
Investment in subsidiaries	**4,642,576**	4,767,618
Right-of-use assets	**1,009**	1,521
	4,643,592	4,769,139
Current assets		
Accounts receivable	**–**	201
Other receivables	**1,715**	4,898
Amounts due from subsidiaries	**3,548,462**	5,074,831
Cash and cash equivalents	**2,649**	18,497
	3,552,826	5,098,427
Current liabilities		
Bank loans	**–**	14,941
Trade and bills payables	**394**	–
Other payables and accrued expenses	**39,901**	79,261
Amounts due to subsidiaries	**787,480**	3,568,634
Current lease liabilities	**1,360**	833
	829,135	3,663,669
Net current assets	**2,723,691**	1,434,758
Total assets less current liabilities	**7,367,283**	6,203,897
Non-current liabilities		
Bank loans	**122,640**	260,996
Convertible bonds	**1,234,980**	–
Non-current lease liabilities	**–**	1,002
	1,357,620	261,998
NET ASSETS	**6,009,663**	5,941,899
CAPITAL AND RESERVES		
Share capital	**18,516**	18,376
Reserves	**5,991,147**	5,923,523
TOTAL EQUITY	**6,009,663**	5,941,899

48 Balance sheet and reserve movement of the Company *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(v)	Convertible bonds reserve RMB'000 40(b)(iv)	Retained Earnings RMB'000	Total RMB'000
At 1 January 2020	446,706	(101,813)	4,903,654	170,897	(58,837)	–	77,347	5,437,954
Total comprehensive income for the year	–	–	–	–	(16,225)	–	931,909	915,684
Issuance of shares in connection with exercise of share options	1,739	–	–	(5,366)	–	–	4,862	1,235
Purchase of shares in connection with share award scheme	–	(115,454)	–	–	–	–	–	(115,454)
Shares held for share award scheme – vesting of awarded shares	34,257	41,903	–	(34,257)	–	–	–	41,903
Equity-settled share-based transactions (note 36)	–	–	–	6,581	–	–	–	6,581
2019 final dividends paid	–	–	–	–	–	–	(364,380)	(364,380)
At 31 December 2020 and 1 January 2021	**482,702**	**(175,364)**	**4,903,654**	**137,855**	**(75,062)**	**–**	**649,738**	**5,923,523**
Total comprehensive income for the year	–	–	–	–	(173,284)	–	206,731	33,447
Issuance of shares in connection with exercise of share options note 36(a))	48,078	–	–	(9,438)	–	–	–	38,640
Purchase of shares in connection with share award scheme note 36(c))	–	(9,670)	–	–	–	–	–	(9,670)
Disposal of shares held for share award scheme note 36(b))	42,872	59,910	–	–	–	–	–	102,782
Issuance of convertible bonds note 35)	–	–	–	–	–	123,944	–	123,944
Lapse of share options note 36(a))	–	–	–	(380)	–	–	380	–
Equity-settled share-based transactions (note 36(c))	–	–	–	14,372	–	–	–	14,372
2020 final dividends paid	–	–	–	–	–	–	(235,891)	(235,891)
At 31 December 2021	**573,652**	**(125,124)**	**4,903,654**	**142,409**	**(248,346)**	**123,944**	**620,958**	**5,991,147**

49 Immediate and ultimate controlling party

At 31 December 2021 and 2020, the immediate parent of the Company is China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

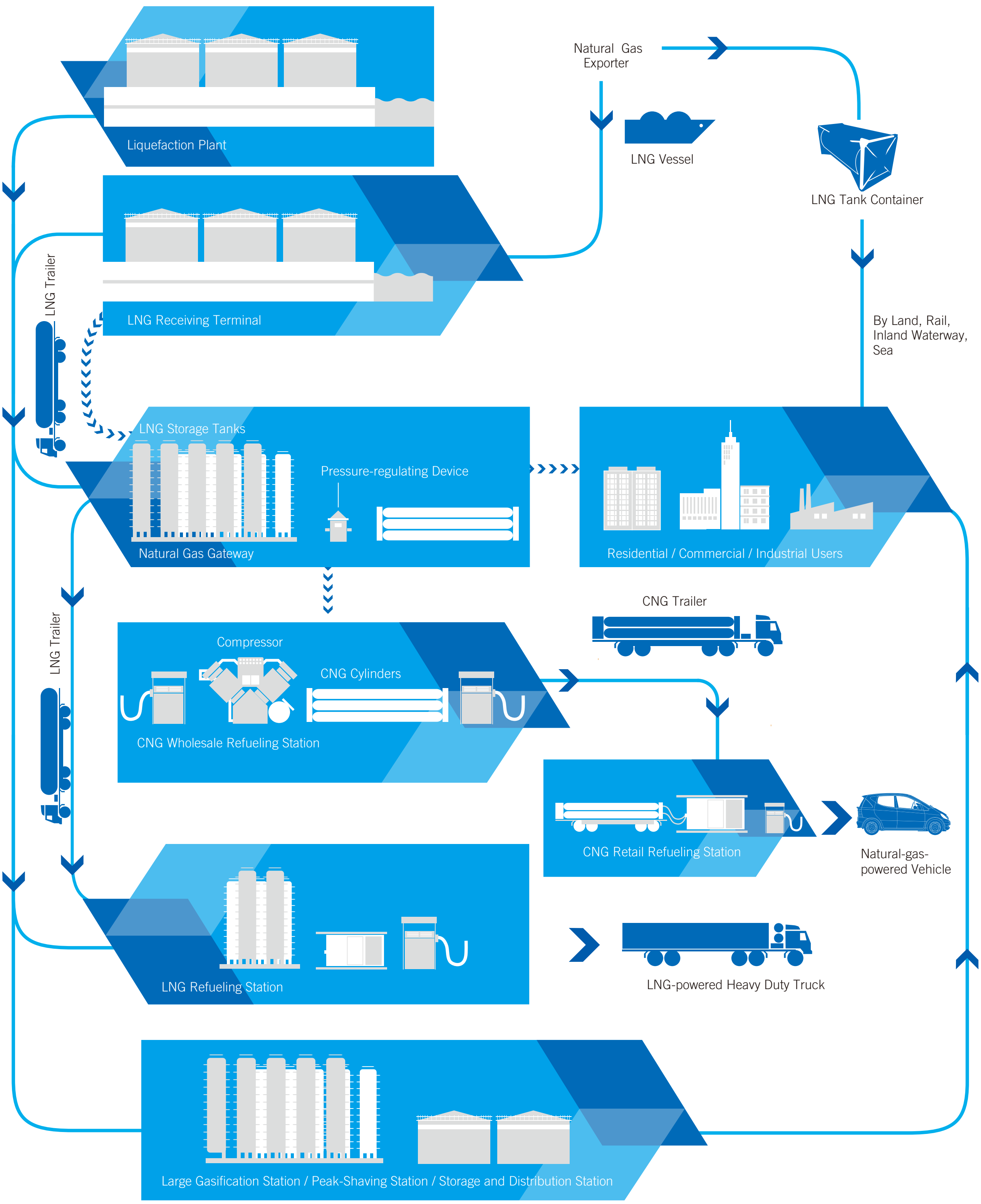
At 31 December 2021 and 2020, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC and the address of its principal place of business is CIMC R&D Center, No. 2, Gangwan Avenue, Shekou Industrial Park, Nanshan District, Shenzhen, Guangdong Province. This entity produces financial statements available for public use.

GLOSSARY

In this report, the following expressions have the following meanings, unless the context otherwise requires:

"AGM"	the annual general meeting of the Company
"Articles"	articles of association of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Charm Wise"	Charm Wise Limited
"CIMC"	中國國際海運集裝箱(集團)股份有限公司 China International Marine Containers (Group) Co., Ltd., a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, and is the controlling shareholder of the Company
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC HK"	China International Marine Containers (Hong Kong) Limited 中國國際海運集裝箱(香港)有限公司
"CNG"	compressed natural gas
"Company/CIMC Enric"	CIMC Enric Holdings Limited
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Natural Gas Full Value Chain Coverage
(Liquification, Storage & Distribution and Downstream Applications)



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