CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Annual Report 2019

Vision

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

Mission

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

About Us

Founded in 2004, CIMC Enric Holdings Limited has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group. We are principally engaged in design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance services for a wide spectrum of transportation, storage and processing equipment that is widely used for the clean energy, chemical and environmental and liquid food industries. We have built a global marketing network and have over 20 subsidiaries located in China, the Netherlands, Germany, Belgium, United Kingdom and Canada that operate production bases and internationally advanced R&D centers.

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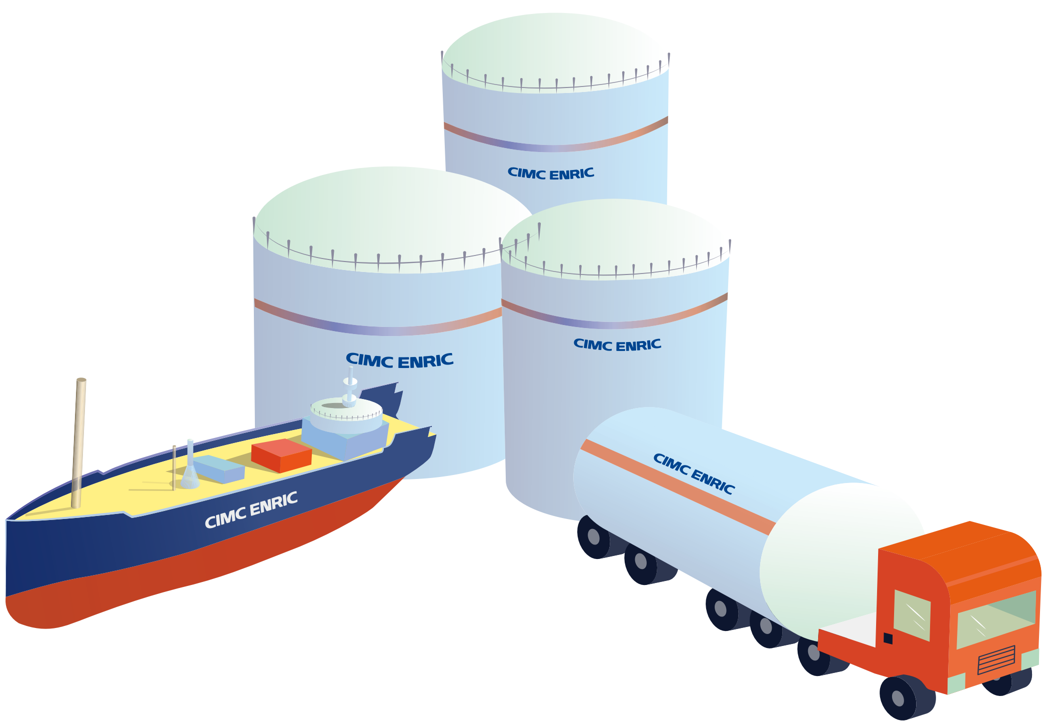


FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December

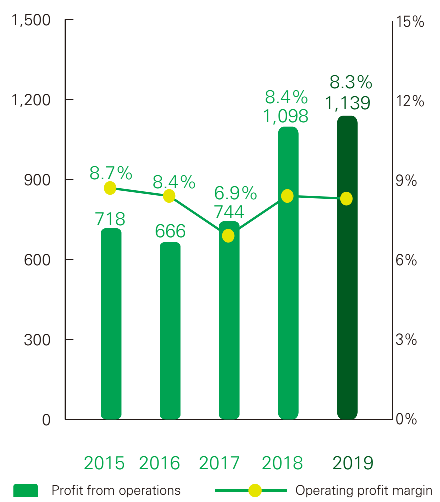
	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000
Revenue	**13,743,019**	13,051,651	10,706,590	7,968,403	8,241,333
Profit from operations	**1,138,573**	1,098,087	743,960	665,559	718,276
Finance costs	**(62,132)**	(73,577)	(79,402)	(106,897)	(36,820)
Impairment provision	**–**	–	(105,549)	(1,362,915)	–
Share of post-tax profit/(loss) of associates	**9,371**	(4,094)	(245)	–	(426)
Profit/(loss) before taxation	**1,085,812**	1,020,416	555,764	(804,253)	681,030
Income tax expenses	**(184,407)**	(237,966)	(135,866)	(132,427)	(144,817)
Profit/(loss) for the year	**901,405**	782,450	422,898	(936,680)	536,213
Attributable to:					
Equity shareholders of the Company	**911,007**	785,502	420,077	(928,772)	519,194
Non-controlling interests	**(9,602)**	(3,052)	2,821	(7,908)	17,019
Profit/(loss) for the year	**901,405**	782,450	422,898	(936,680)	536,213
Earnings/(loss) per share					
– Basic	**RMB0.464**	RMB0.403	RMB0.217	(RMB0.480)	RMB0.268
– Diluted	**RMB0.459**	RMB0.398	RMB0.215	(RMB0.480)	RMB0.265

As at 31 December

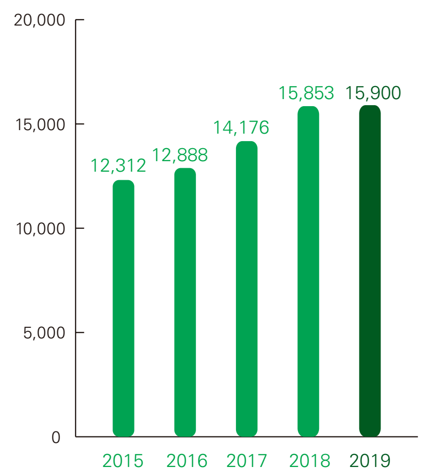
	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000
Total Assets	**15,900,033**	15,853,354	14,176,233	12,888,423	12,312,226
Total Liabilities	**(8,515,522)**	(9,307,560)	(8,306,454)	(7,586,358)	(5,846,754)
Net Assets	**7,384,511**	6,545,794	5,869,779	5,302,065	6,465,472

Note: The comparative figures for the two years of 2015 and 2016 have not been restated as if the current combined entity had been in existence then as the cost to produce such information outweighs the benefits.

Profit from operations
RMB million



Total assets at 31 December
RMB million



FINANCIAL HIGHLIGHTS

	As at 31 December		
	2019 RMB'000	2018 RMB'000	+/-
FINANCIAL POSITION			
Total Assets	**15,900,033**	15,853,354	+0.3%
Net Assets	**7,384,511**	6,545,794	+12.8%
Net Current assets	**3,721,040**	3,671,599	+1.3%
Cash and cash equivalents	**2,534,752**	2,930,271	-13.5%
Bank loans, loans from related parties and other borrowings	**1,054,542**	1,230,505	-14.3%
Gearing Ratio[1]	**14.3%**	18.8%	-4.5 ppt

	For the year ended 31 December		
	2019 RMB'000	2018 RMB'000	+/-
OPERATING RESULTS			
Revenue	**13,743,019**	13,051,651	+5.3%
Gross profit	**2,351,294**	2,225,748	+5.6%
EBITDA	**1,439,908**	1,367,559	+5.3%
Profit from operations	**1,138,573**	1,098,087	+3.7%
Profit attributable to equity shareholders	**911,007**	785,502	+16.0%
PER SHARE DATA			
Earnings per share – Basic	**RMB0.464**	RMB0.403	+15.1%
Earnings per share – Diluted	**RMB0.459**	RMB0.398	+15.3%
Net asset value per share	**RMB3.673**	RMB3.278	+12.1%
KEY STATISTICS			
GP ratio	**17.1%**	17.1%	–
EBITDA margin	**10.5%**	10.5%	–
Operating profit margin	**8.3%**	8.4%	-0.1 ppt
Net profit margin[2]	**6.6%**	6.0%	+0.6 ppt
Return on equity[3]	**13.5%**	13.0%	+0.5 ppt
Interest coverage – times	**23.1**	16.1	+7
Inventory turnover days	**121**	117	+4
Debtor turnover days	**76**	84	-8
Creditor turnover days	**82**	87	-5

Notes:

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

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

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

CORPORATE INFORMATION

Directors

Executive Directors

Gao Xiang *(Chairman)*
Yang Xiaohu *(General Manager)*

Non-executive Directors

Yu Yuqun
Wang Yu
Zeng Han

Independent Non-executive Directors

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

Company Secretary

Cheong Siu Fai *CPA*

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

* *chairman/chairperson of the relevant Board committees*

Authorised Representatives

Gao Xiang
Cheong Siu Fai

Registered Office

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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
22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisor

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

Principal Bankers

Agricultural Bank of China
ANZ Bank
Bank of Communications
Bank of China
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

29 May 2020

Closure of Register of Members for the 2019 Final Dividend

08 June 2020 to 12 June 2020 (both days inclusive)

Payment of 2019 Final Dividend

On or about 6 July 2020

Stock Code

3899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

CHAIRMAN'S STATEMENT

OVERALL STRATEGIES

From equipment manufacturing to turnkey project capability to provision of integrated solution, in order to provide customers with comprehensive products and services and promote industry development.

Dear Shareholders and Partners,

CIMC Enric achieved healthy growth and sustainable development in the year 2019. Compared to the year 2018, profit attributable to equity shareholders of the Group increased significantly for the year of 2019. We strive to become a respected world-leading enterprise in the clean energy, chemical and environmental, and liquid food industries.

Major Events of 2019

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

On 31 March 2019, the Group entered into an equity transfer agreement with Ningxia Yuansha New Energy Group for acquisition of 65.09% equity interests in Ningxia Changming Natural Gas Development Ltd. With this acquisition, the Group entered into the business of unconventional natural gas equipment and one-stop solution.

In January 2020, the Group completed the acquisition of Lindenau Full Tank Services GmbH, a German company, which has two depots in operation in Germany. The newly acquired depots will shape a service network of an "interactive model across China and Europe" together with depots of Burg Service B.V., a Dutch company of the Group, further consolidating the global network of the chemical and environmental segment.

Results of the Year

During the year, the clean energy segment's revenue rose by 13.1% to RMB6,814,772,000 (2018: RMB6,027,083,000). This mainly due to the increase in the demand for storage equipment as well as downstream application equipment in 2019. The spherical gas storage tanks and the on-vehicle LNG fuel tanks were the main contributors to current year's revenue growth for storage equipment and downstream application equipment respectively. The chemical and environmental segment's revenue fell by 10.2% to RMB3,385,706,000 (2018: RMB3,768,279,000) mainly due to lower prosperity of chemical industry resulted from slowing economic growth throughout the world and Sino-U.S. trade friction. In addition, the rapid sales growth of global tank container over the past few years has influenced the sales in 2019. Accordingly, the sales volume of tank containers, the core product of the segment, fell in 2019. After the sales adjustment in 2019, we are optimistic in the generally growing prospects for tank container industry in mid to long term. The liquid food segment's revenue fell slightly by 3.8% to RMB3,076,961,000 during the year (2018: RMB3,198,237,000) because that a couple of large-scale breweries in Mexico for a client have been completed during 2018 and early 2019, while the newly signed projects are scheduled to complete by the year 2020 and beyond. However, good results have been seen from the successful integration of the newly acquired DME business, which partially offset the decline in segment's revenue. The unallocated revenue rose to RMB465,580,000 (2018: RMB58,052,000) mainly contributed by new business ventures from acquisition and from the Group's own initiative.

Profit from operations rose from RMB1,098,087,000 in 2018 to RMB1,138,573,000 in 2019. The profit attributable to shareholders of the Company rose from RMB785,502,000 in 2018 to RMB911,007,000 in 2019. Basic and diluted earnings per share increased to RMB0.464 and RMB0.459 respectively (2018: basic and diluted earnings RMB0.403 and RMB0.398 respectively).

2019 Final Dividend

Taking into consideration of the Group's business development and efforts to increase return to shareholders, the Board proposes a final dividend for 2019.

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

Market Recognitions

CIMC Enric is honoured to be continuously recognised by the market. Each of the following recognitions endorses the public's confidence in the Group.

- Since March 2013, CIMC Enric has been included as a constituent of Hang Seng Global Composite Index and Hang Seng Composite Index Series;
- Since March 2014, CIMC Enric has been selected as a constituent of FTSE Hong Kong Index and FTSE Hong Kong ex H Share Index;
- Since November 2014, CIMC Enric has been included as eligible listed shares for Southbound trading under Shanghai-Hong Kong Stock Connect; and
- Since December 2016, CIMC Enric has been included as eligible listed shares for Southbound trading under Shenzhen-Hong Kong Stock Connect.

The Group is delighted that CIMC Enric was awarded the fourth place among the "2014 Top 50 Energy Enterprises with the Most Promising Growth Potential" by "Energy" magazine and the Energy Business School in China. Several subsidiaries of the Group also received awards and certifications for financial performance, product innovation and prestige branding during 2015. These achievements fully demonstrated the Group's continuous commitment to strive for industry excellence.

Prospects

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

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

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

Clean Energy

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

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

The clean energy segment will continue to pursue strategies such as the optimisation of operation, capacity integration and business synergy, as it continues to reinforce and expand its general capabilities in key equipment manufacturing, engineering service and the provision of total solution for natural gas transportation, storage and terminal application, in a bid to develop end-to-end business presence along the natural gas industry chain. At the same time, the segment will be engaged in developing solutions for natural gas storage and transportation, LNG traffic fuel applications, city peak-shaving facilities and LNG intermodal transportation, and offshore LNG application while actively exploring opportunities to diversify to other segments in the clean energy business chain, in order to secure sustainable and stable development.

Chemical and Environmental

As a more advanced spin-off of the traditional container, the tank container is primarily used for the transportation and storage of specialised goods, such as hazardous chemicals. It has strong leak-proof qualities and can be reused for multiple times in a relatively long life cycle for intermodal transportation (i.e. marine, road and rail transportation). The tank container has the merits of being safe, cost-effective, eco-friendly and efficient. As a green logistics equipment with greater intelligent features, we believe tank container would be further promoted in global chemical logistics industry. In the long run, the tank container market will remain vibrant.

We are the only company in the world with capabilities in the design, manufacture and sales of a full range of tank containers, including standard liquid tank containers, various types of special liquid tank containers, gas tank containers, powder tank containers and cryogenic tank containers. According to International Tank Container Organisation (ITCO), "CIMC Tank" has been the best-selling tank container in the global market for 16 years consecutively.

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

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

Liquid Food

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

With the integration of Briggs into the Group, we secured a stronger position in the distilling market and our ambition is to further develop the EPC project offerings by focusing on the requirements of the customers and our competences for process equipment and turnkey projects in the liquid food industry. After successes in North and South Americas, core focus for Briggs will be on entering the Asian market. On 5 March 2019, the segment completed the purchase of selected assets of DME Group. Based in Charlottetown (Canada), DME is a leading designer and manufacturer of equipment for the craft brewing sector in North America. This purchase will contribute to the segment's position in the North American market and in the worldwide craft brewing sector.

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

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, 25 March 2020

CLEAN ENERGY

Natural Gas Storage Infrastructure

Natural Gas Transportation Equipment

Natural Gas Offshore Application and Transportation

Industry Overview

In 2019, having been affected by, among others, sluggish growth in China's economy, policy change of executing "Coal-to-Gas" conversion only when there is sufficient gas supply as well as promotion of the use of "clean coal" in North China, growth in natural gas consumption in China has slowed down. As shown in the data issued by the NDRC, the apparent consumption of natural gas in China in 2019 was 306.7 billion m^3, representing a year-on-year increase of 9.4%. To ensure energy security, China is accelerating its domestic production of natural gas to secure supply. As shown in the data provided by the National Bureau of Statistics of China, the total production volume of natural gas in China in 2019 reached a record high level of 173.6 billion m^3, representing a year-on-year increase of 9.8%. In addition to conventional large-scale exploration of gas fields, exploitation of unconventional natural gas, such as shale gas, coalbed gas, well-head gas and coke-oven gas, has been a solid supplement to secure energy sufficiency in China.

Meanwhile, import of natural gas in China in 2019 grew at a relatively fast pace, the growth rate was lower than that in 2018 but maintained at a healthy level. As shown in the data issued by the General Administration of Customs, annual import of natural gas in China in 2019 was 96.56 million tonnes in total, representing a year-on-year increase of 6.9%, within which the annual import of liquefied natural gas (LNG) was 60.25 million tonnes, representing a year-on-year increase of 12.2%. The main import sources of LNG were, among others, Australia, Qatar, Indonesia and Malaysia. As a result of smooth progress of the Sino-US trade negotiations, import of LNG and ethane from the US to China is expected to increase in the coming three years. Meanwhile, import of natural gas in gas form during the year was 36.31 million tonnes, representing a year-on-year decrease of 0.8%. The main import sources of the pipeline gas were Turkmenistan, Myanmar, Uzbekistan and Kazakhstan. With the commencement of gas supply of the Power of Siberia natural gas pipeline project at the end of 2019, sources of import of natural gas will be further diversified.

China's natural gas production, supply, storage and marketing system has become more mature, effectively relieving supply shortage of natural gas last winter. Firstly, local governments, CNPC, SINOPEC and CNOOC have made progress in construction of natural gas infrastructure and gas-to-grid interconnection projects with the establishment of China Oil & Gas Piping Network Corp. Secondly, construction of LNG receiving terminals has been accelerating with 2 terminals in operation, commenced the construction of 12 new terminals and 8 terminals in expansion during the year. As at the end of 2019, there are a total of 22 LNG receiving terminals in China with over 70 million tonnes of annual receiving capacity. Thirdly, construction of peak-shaving gas storage infrastructure made steady progress with investment from private capital from downstream players such as city gas operators. As estimated by CNPC Research Institute of Economics and Technology, total storage capacity of underground gas storage facilities in China reached 14 billion m^3 in 2019, accounting for 4.6% of the total consumption. In the other hand, storage tanks above ground, has tended to be larger scale, regionally intensive and inter-regionally cooperative. Big projects have been seen coming from key regions such as Hebei, Shandong and Jiangsu.

A number of national or local policies and legal regulations have been implemented in 2019 for effective promotion of development of upstream, midstream and downstream sectors in natural gas industry.

Date	Authority	Document	Key content
December 2016	NDRC, National Energy Administration	"13th Five-Year Plans for the Development of Natural Gas"	Calling for the increase of natural gas consumption, as a percentage of one-off energy consumption, from 5.9% in 2015 to 8–10% in 2020
February 2017	Ministry of Environmental Protection, NDRC, Ministry of Finance, National Energy Administration and 6 provinces and municipalities: Beijing, Tianjin, Henan, Hebei, Shanxi and Shandong	"2017 Air Pollution Prevention Plan for Beijing, Tianjin, Hebei and Surrounding Areas"	Driving the "coal to gas" conversion trend in "2+26" cities in 2017
June 2017	13 ministries and commissions including NDRC	"Opinion on Expediting the Use of Natural Gas"	The status of natural gas as a dominant energy form in the domestic modern clean energy system is stipulated.
December 2017	NDRC, National Energy Administration, Ministry of Finance, Ministry of Environmental Protection and 6 other national ministries	"Notice on the Publication of Planning for Clean Heat in Winter for Northern Regions (2017–2021)"	Calling for the clean heat rate for northern regions to reach 50% by 2019 and 70% by 2021, replacing 74 million tonnes and 150 million tonnes of scattered coal (including low-efficiency boiler coal), respectively.

Date	Authority	Document	Key content
April 2018	State Council	"Opinion on Expediting Construction of Storage Facilities and Improving Market Mechanism for Gas Storage Peak-shaving Ancillary Services"	Expediting the development of a natural gas production – supply – storage – sales system and explicitly indicating the main benchmarks of construction of gas storage equipment: 10% for gas suppliers, 5% for city gas operators and 3 days for local governments. More specifically, all gas supply entities must have sufficient gas storage by 2020, with gas supply companies to have a storage capacity no lower than 10% of the contract sales of that year; urban gas enterprises to have a storage capacity of at least 5% of their gas consumption; and local governments at or above the county level to have storage capacity able to meet at least 3 days of gas demand.
May 2018	NDRC	"Notice on Effective Organisation and Planning for Construction and Operation of Gas Storage Facilities"	Placing greater effort on organising and planning construction of gas storage facilities, ensuing sensible design and encouraging to fulfill requirements of gas storage capacity through difference channels and accelerating the procedures of approval and construction of projects.
June 2018	State Council	"Three-Year Action Plan for Winning the Blue Sky Defense Battle"	Continuing air pollution control over the key regions, such as the Beijing-Tianjin-Hebei and surrounding areas, the Yangtze River Delta and the Fenhe and Weihe plain. Expediting the adjustment of energy structure to form a clean, low-carbon and highly effective energy system.

Date	Authority	Document	Key content
June 2018	NDRC	"Specific Administrative Measures for Investment (Subsidy) within Central Budget in Construction of Emergency Gas Storage Facilities in Key Areas"	The scope of business to be supported by investment in immediate construction of gas storage facilities within the central budgets, methods of provision, arrangement procedures and supervisory matters are stipulated in the measures
August 2018	NDRC	"Administrative Measures regarding Peak-shaving for Natural Gas Users (Trial) (Draft for Comment)"	Clear guidance for the administration of peak-shaving for natural gas users
August 2018	Ministry of Transport	"Opinion on Further Promotion of LNG Use in Water Transport Industry (Draft for Comment)"	A system of comprehensive standards for the use of LNG in water transportation to be completed by 2020 pushing LNG clean energy application in water transportation; initiating refueling station network for water transportation; building a LNG water transportation system in an orderly manner.
September 2018	State Council	"Opinions on Facilitating Coordinated and Stable Development of Natural Gas"	Gas storage responsibility and benchmarks of "10% for gas suppliers, 5% for city gas operators and 3 days for local governments" reiterated; a diversified overseas natural gas supply system should be developed; "Coal-to-gas" conversion must follow the principle of "conversion by available gas supply"; a sound supply-side administration and peak-shaving mechanism for natural gas and a comprehensive natural gas supply assurance and contingency system should be developed.

Date	Authority	Document	Key content
March 2019	NDRC	"Report on the Implementation of the 2018 Plan for National Economic and Social Development and on the 2019 Draft Plan for National Economic and Social Development"	Promoting centralised management of pipeline network to separate pipeline transport and sales by establishing National Petroleum and Natural Gas Pipe Network Group Co., Ltd
April 2019	Ministry of Finance	"China's Central Budgets for Infrastructure 2019"	To encourage construction of LNG emergency gas storage facilities, the central budget for emergency gas storage facilities in key areas has been doubled to RMB2 billion.
May 2019	NDRC	"Notice on Adjusting the Local Gate Station Prices for Natural Gas for Residential Use"	Adjusting the local gate station prices for natural gas for residential use and establishing a flexible price mechanism which reflects the change in supply and demand. Launching a seasonal price difference policy, encouraging market-based transactions and encouraging all regions to reasonably maintain selling price at terminals.
June 2019	Changjiang River Administration	"Notice on Related Matters of LNG Powered Ship Passing through Three Gorges Dam Ship Locks on trial"	With effect from 1 June 2019, the Three Gorges Dam allows passage of LNG powered ships, and those ships will be given priority, representing a favourable sign for the development of LNG powered ships on inland waterways.
June 2019	Ministry of Finance	"Notice on Issuing the Interim Measures for the Administration of Special Funds for the Development of Renewable Energy"	Supporting exploitation and utilisation of unconventional natural gas.

Date	Authority	Document	Key content
June 2019	NDRC, National Energy Administration	"Notice on Proper Countermeasures against Peak Load of Energy after Summer in 2019"	Proposing to accelerate construction of gas storage facilities, putting LNG tank container on the list of new type of gas storage facilities for the first time to make up shortfall of gas storage capacity.
July 2019	NDRC, Ministry of Housing and Urban-rural Development and State Administration for Market Regulation	"Guidance on Regulating the Installation Fees for Urban Gas Projects"	Eliminating unreasonable level of fee charged, capping installation fee for urban-rural gas and, in principle, profit-to-cost ratio for the services not exceeding 10% in order to establish a competitive market for natural gas installation services. A number of city gas suppliers is of the view that city gas is being strictly regulated.
October 2019	Commission Meeting of National Energy Commission	–	The meeting studied further measures to safeguard energy security, reviewed and passed opinions on high-quality energy development, and laid out measures to ensure heat supply in the coming winter and spring next year. As discussed in the meeting, based on domestic conditions and development phase, energy supplies should be diversified to improve energy security. In addition, the Commission shall deepen market-oriented reform in energy, relax investment restrictions in oil and gas exploration and encourage all kinds of social capital involved in the energy field.

Date	Authority	Document	Key content
October 2019	China Maritime Safety Administration	"Notice on The Implementation Plan Of 2020 Global Sulphur Limit"	In order to effectively implement the International Maritime Organization (IMO) 2020 global sulphur limit, from 1 January 2020 onward, international ships entering waters under the jurisdiction of the PRC shall use low sulfur fuel oil in great effort to control pollution emission of ships.
November 2019	NDRC	"Several Opinions of the CPC Central Committee and the State Council on Advancing the Pricing Mechanism Reform"	The Opinions retain the centralised pricing of transmission and distribution of electricity as well as oil and gas transportation via pipelines; implement market-oriented pricing on LNG, shale gas, coal-bed methane and coal gas; and existing pricing mechanism for refined oil and natural gas via pipelines remains unchanged, and opening of market-oriented pricing mechanism is subject to the progress of the system reform.
December 2019	China Maritime Safety Administration	"Administrative Measures on Safety and Supervision of Offshore Filling of Liquefied Natural Gas"	Governing offshore filling of LNG powered ships to prevent marine pollution, promoting the development of offshore applications of LNG in China.
December 2019	Official Establishment of National Petroleum and Natural Gas Pipe Network Group Co., Ltd	–	Symbolising the centralised management of pipeline network of oil and gas by the new company separating from state-owned major oil and gas enterprises, deepening the system reform by separating pipeline transport and sales, thus providing a feasible operating platform for further improving fair access mechanism of pipeline network and fairly opening of oil and gas pipeline network and provincial pipeline network to third-party entities.

Business Review

Rapid development of natural gas industry in China and dynamic fluctuation of market demand have expedited competitive differentiation and concentration of advantages in the industry. CIMC Enric is China's only manufacturer of equipment manufacturing and provider of engineering services claiming full coverage of the natural gas value chain and capable of providing one-stop system solutions. Having highly recognised by our customers, we are one of those with highest market share in different product line. For instance, we are leading in China in terms of production and sales volume of LNG, LPG, CNG, oxygen, nitrogen and argon storage and transportation products.

We help guarantee natural gas supply in 2019 winter with our whole series of storage tank products and engineering services, and we have been actively participated into establishment of infrastructure for peak shaving facilities in China by setting up projects in, among others, Yuxi in Henan, Lhasa in Tibet, Jiangning in Nanjing, Jinan, Tangshan, Kunshan, Dunhua, Jizhou in Hebei with over 20,000 m^3 of storage capacity in total. To name some, the Gas Reserve and Peak Shaving Storage in Shenzhen, one of the engineering construction projects of the total package, commenced its operation in August 2019. And also, the second phase of Zhoushan LNG Receiving Terminals under construction, of which the roof of two LNG storage tanks with capacity of 160,000 m^3 have lifted and installed at the end of 2019.

LNG tank container, as a new mode of transportation and storage equipment of natural gas capable of intermodal transportation (i.e. marine, road and rail), is one of our signature products strongly promoted in 2019. A set of rail test standards for transportation of LNG tank container in China was issued in April 2019. In June 2019, the NDRC and the National Energy Administration expressly announced for the first time that LNG tank container can be used for gas storage and peak-shaving purposes. In July 2019, the Ministry of Transport of the PRC drafted a consultation paper of "Safe Transportation Requirements for Whole Ship Carrying Mobile LNG Tank Containers", which is the first official document in relation to safety of marine transportation and yard stocking for LNG tank container. CIMC Enric has been heavily engaged in every peak-shaving projects and rail testing projects on LNG tank containers in China so far. Internationally, we also have recorded a good sales in North America, the Middle East and Southeast Asia.

For marine shipping of multiple liquified gases, we are a world leader in the small-to-medium sized liquefied gas carriers with the largest global market share, offering product chains from LPG, LEG to LNG as well as from fully-pressing carrier, semi-cooling and semi-pressing carrier to fully-cooling carrier. In 2019, we have successfully delivered two 22,000 m^3 LEG carriers, a 38,000 m^3 LEG carrier. A 20,000 m^3 LNG transportation and bunker vessel, the world's largest so far, and a 7,500 m^3 one are under construction since the beginning of 2020.

In addition, we have been eagerly promoting natural gas application in traffic sectors and equipment for motor vehicles and vessels. Since 1 July 2019, heavy-duty diesel vehicles shall follow the "China VI" vehicle emission standards in stages, and light-duty vehicles are obliged to follow the same commencing from 1 July 2020 in two phases. Taking the advantages of sufficient supply and steady retail price of LNG, LNG heavy-duty truck has been strongly boosted, resulting in a significant growth in sales of our on-vehicle cylinders. For offshore LNG applications, we are capable of offering, among others, oil-to-gas conversion solution for vessel, LNG fuel tank, LNG bunkering vessel, LNG bunkering system for inland river ships and exhaust gas scrubber. At present, we have commenced cooperation with a number of customers who provide freight services in Yangtze River Delta and Pearl River Delta for vessel oil-to-gas conversion.

In 2019, we have achieved remarkable performance and breakthroughs in other clean energy markets, such as storage, transportation and bunkering equipment of hydrogen energy, storage and transportation equipment of nuclear fuel, storage, transportation and bunkering equipment of LPG.

Operational Performance

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

Future Plans and Strategies

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

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

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

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

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

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

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

Research and Development

Growth engine of the clean energy segment has always been innovation with an objective to 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 Group.

During 2019, the segment conducted a number of successful R&D projects, such as HCL tube bundle container, 10,000 m^3 cryogenic and low pressure double vault storage tank for liquid nitrogen 30MPa Type II gas cylinder hoop-wrapped by glass fiber with s steel liner, skid-mounted liquefaction unit for well-head gas, 30,000m^3 double-layer metal LNG storage tank, 1,350L large volume gas cylinder and trailer in compliance with China 6B emission standards. After the first and second European LNG filling stations designed and built independently by Enric for Shell were officially put into operation in Belgium and Germany, respectively, the third one was officially put into operation in Maasmechelen, Belgium, and it was well accepted by customer. The series of 300 m^3 LNG marine fuel tanks has been proved to be capable to hold the pressure for over 100 days during trials and post-trial monitoring period, which was well above the IGF requirements and was highly recognised by ship owners in Sweden. An order for 80,000 m^3 double-layer metal liquified ethane tank, the first self-developed large-sale cryogenic storage tank. The project with such highest technology represents a new era of the industry.

The segment is committed to continuous product innovation and overseas market development. For instance, the launch of new automatic LPG transport vehicle with submerged pump and automatic loading function, which is a high-end product with exceptional performance specifically developed for international customers, has been widely recognised.

We also have a number of R&D projects in progress, including R&D of cylinders and tube containers for multi-types of electron gases, such as nitrogen trifluoride, boron trifluoride, sulfur hexafluoride and silane, research on applications of new steel material for cryogenic products, 40-ft LNG tank container for domestic and international railway, new function lightweight liquefied gas semi-trailers and cargo system for LPG vessel.

To facilitate sustainable development, the segment has been vigorously engaged in the R&D for new energy applications, such as equipment and technology along the hydrogen energy value chain, with a view to fostering new growth points as well as increasing the segment's influence in the industry.

Sales and Marketing

The Group's clean energy segment has established sales offices in China, Southeast Asia, Russian-speaking regions and North America and branch companies in the United States and Singapore engaged in relevant businesses. Within this segment, cryogenic, medium-pressure and high-pressure equipment are mainly sold under the brand names "Enric", "Sanctum", "Hongtu" and "CIMC Tank", respectively. Liquefaction engineering projects and EPC engineering projects operate respectively under the brand names "Hashenleng" and "YPDI". Marine gas products and engineering services are provided under the brand name "CIMC SOE". Intelligent IOT platforms are sold primarily under the brand name "Anjiehui". Our customers are renowned domestic and overseas companies such as ENN Group, Shenzhen Gas, China Resources Gas, Towngas China, Sinotruk, Foton Daimler, Faw Group, Dongfeng Motor, Shaanxi Heavy Duty Automobile, STOLT-NIELSEN GAS B.V., and Samsung Heavy Industries.

CHEMICAL AND ENVIRONMENTAL

Standard Tank Container

Special Tank Containers

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. Having driven by global economic growth and thriving development of fine chemical industry over the past years, international tank container lessors have invested in tank containers for chemicals with colossal amount of capital, pushing up the demand to a record high. Green logistics model with the application of tank containers will take over the logistics industry due to its safeness, cost-effectiveness and eco-friendliness, leaving a bright prospect for tank containers in the long run.

Currently, the markets of developed countries in Europe and the USA have been developed into a stage of stable growth, while the demand for tank containers in emerging markets, such as China, Southeast Asia, India and Russia will experience gradual growth due to the replacement and upgrade of traditional transportation modes for local chemical sectors, as well as high concern for safe, efficient and eco-friendly transportation of hazardous goods. These will become a main engine for growth in global tank container market. Based on statistics generated by International Tank Container Organisation, production volume of new tank containers in the world grew by approximately 2 times over the last decade, 83% of the total production was made in China, and number of tank container in the world grew by approximately 1.5 times, demonstrating a steady growth in the tank container market.

Despite the challenges driven from Sino-US trade frictions and localism, tank containers, as the equipment necessary for global trading, are in circulation worldwide and protected by international customs convention, Tank container itself has never been subject to any tariff of a particular country.

This segment endeavours to enter the environmental industry – an emerging industry that integrates equipment manufacturing, engineering and operation services, which has close relationship with an economy of a country and its people's livelihood. The Chinese government has launched a series of policy encouraging the development of environment industries. In June 2018, the issue of "Opinion of the CPC Central Committee and State Council on Full Enhancement of Ecological Protection and Resolve to Win the Battle Against Pollution" required the commencement of establishing "zero-waste city", promoting harmless disposal, reduction and recycling of solid waste in a persistent manner. In particular, the enterprises engaging in comprehensive utilisation of Industrial solid waste are required to possess relatively higher technologies and qualification. But most of the enterprises in the business of disposal of industrial solid waste in China is still at the initial development stage, the enterprises focusing on waste management and recycling with innovative technologies and specialised operations will equip themselves significant advantages, leaving them an enormous space for development.

Date	Authority	Activity/document	Key content
May 2018	Ministry of Ecology and Environment	National Convention on Ecology and Environmental Protection	General Secretary Xi Jinping delivered talk calling for the association of ecological civilisation with economic and social development and resolution in winning the battle against pollution in a full effort to advance green development, pointing out the direction for China's environmental industry.
May 2018	Ministry of Ecology and Environment	"Waste Clearance Campaign 2018"	Special initiative against illegal acts in relation to solid wastes through on-site supervision and inspection: The action team has done on-site inspection and verification of 2796 solid waste stack areas in 11 provinces/ municipalities in the Yangtze Economic Belt, identifying 1308 issues.
June 2018	State Council	"Opinion of the CPC Central Committee and State Council on Full Enhancement of Ecological Protection and Resolve to Win the Battle Against Pollution"	Unequivocal call for winning the battles against pollution to defend the blue sky, clear water and clean land.
July 2018	NDRC	"Opinion on the Innovation and Improvement of Price Mechanisms Conducive to Green Development"	Proposition of tariff mechanism for municipal waste water treatment, daily waste treatment, hazardous waste disposal and solid waste disposal; more private capital will be solicited for the ecological protection sector.

Date	Authority	Activity/document	Key content
July 2018	Ministry of Ecology and Environment	"Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" (Amended draft for consultation)	Proposing to improve disposal of solid wastes and rubbish, manage pollution prevention and treatment of solid wastes, air, water and soil pollution, devoting effort in tackle significant environmental problems.
December 2018	State Council	"Pilot Construction plan of "Zero-waste City"	Expressing to minimise the volume of front-end wastes and the volume of back-end wastes to landfill, promoting the recycling and reuse of waste resources to the greatest extent.
July 2019	Shanghai Municipal Government	"Shanghai Household Waste Management Regulation"	The implementation of China's strictest regulation on waste sorting in Shanghai as a pilot city.

Business Review

Looking back on 2019, the anti globalisation events, such as Brexit and Sino-US trade frictions, put pressure on macro-economic growth, eroding demand for tank containers as compared with the previous year, in particular the shrinkage of overall demand in the second half of 2019. Despite pressure on the industry, the segment has maintained its leading position in the global market in such fiercely competitive and challenging environment.

In addition to design, manufacturing and sales of tank containers, the segment has tirelessly developed after-sales services for tank containers for the sake of offering full-life-cycle services. During the year, the segment established a company providing tank container services with an operation of a yard in Jiaxing, China. The segment has also acquired Lindenau Full Tank Services GmbH, a German company, which has two yards in operation in Germany. The newly acquired yards will shape a service network of an "interactive model across China and Europe" together with the yards of Burg Service B.V., a Dutch company owned by the segment, further consolidating the global network of the segment. Meanwhile, the segment has eagerly promoted the application of Internet of Things technology to tank containers by launching one-stop platform, "Tankmiles", exclusively designed for whole life cycle of tank containers, spanning monitoring, operational management and after-sale services. Major customers of the platform were international well-renowned container leasing companies and operators, such as EXSIF, Eurotainer, Suttons, Newport, Trifleet, Sinobulk and Hoyer. The platform has served over 800 customers in 2019 with over 25,000 visits by the customers. The whole life cycle services of tank containers provide our customers a comprehensive solution for operation and management of tank containers, contributing to substantial increase in satisfaction and loyalty of our customers while generating a growth in our revenue.

As to the newly-entered environmental business, the segment, in 2019, completed construction of the first integrated utilisation project of hazardous waste, which focused on R&D of integrated utilisation of mine tailings and solid waste resources from stone processing industry, offering new type of eco-friendly and functional construction materials to the industries of, among others, prefabricated building, rail transport as well as engineering and decoration. The segment also completed construction of the first integrated utilisation project of general industrial solid waste, laying a foundation of the project for commencement of production.

Operational Performance

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

Future Plans and Strategies

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

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

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

Research and Development

The chemical and environmental segment endeavours to provide customers with new logistics solutions and develop different types of tank containers to meet customers' requirements. In 2019, multiple ranges and varieties of chemical tank containers have been developed. The segment has successfully developed a number of products in compliance with the Pressure Equipment Directive of Europe, such as powder tank, small volume ISO tank, liquid chlorine tank and lightweight asphalt tank. During the year, the 45-ft mega-volume swap body railway rank was brought to mass production, and such breakthrough technology of manufacturing has increased capacity and efficiency of the application of tank container in railway logistics.

The segment is also committed to ongoing product innovation. We are actively engaged in the development and application of new materials and new framework for tank body. It is currently developing railway concentrated sulfuric acid tank used in China, new version of swapbody ISO tank, combined assembled tank, glycol heating/cooling system, lightweight swapbody cement container and IOT electric heating system in order to answer the new generation of demand for transportation from the chemical logistics industry.

The segment has been studying on the application of high-strength steel technology and low VOC and high solid coating on tank containers to produce light-weight tank body and offer its customers a more eco-friendly and low-carbon products. Upon R&D of mechatronics system for tank containers, the segment has successfully developed a series of temperature management system for monitoring the temperature in containers during the process of cargo transport. Such system with higher accuracy of temperature control and reliability is capable of securing quality of temperature-sensitive cargo.

In addition, the segment has completed upgrades of automation and digitalisation of the project "Dream 6 D" for securing the safety of our staff members with a standard eight-hour shift as well as enhancing efficiency. The upgrades of the project has provided our staff a better working environment, ensuring outstanding manufacturing capacity and safety in production. What is more, the segment constructed a high-end lining tank containers workshop jointly with Sun Fluoro in Japan to provide a more comprehensive solution for electronic grade chemicals of tank containers.

The segment has been developing the "Flange", an intelligent changer, in a bid to promote the use of smart changer to monitor and control in-tank temperature, pressure and liquid level to achieve intelligent management. By building an IOT-based information platform called "Tankmiles", the segment aims to provide one-stop solutions for monitoring, management platform and services for the chemicals logistics industry. By providing customers with better experience in their operational management of tank containers, we have formed a new business and profit centre.

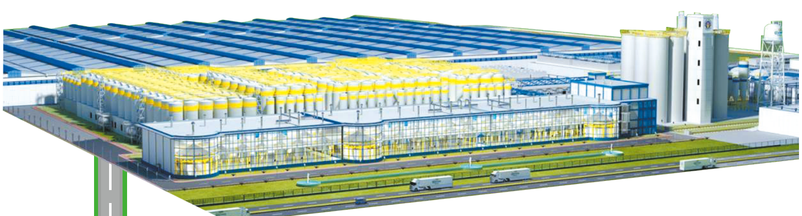
Sales and Marketing

The chemical and environmental segment has a sales company in Europe and sales offices in Russia and Korea. The products and services under this segment are mainly marketed under the brand of "CIMC TANK" and "Tankmiles" in numerous countries and regions around the globe. Our major customers include container leasing companies such as EXSIF, CS Leasing and Eurotainer, as well as operators such as STOLT and Sinochem International.

LIQUID FOOD

Liquid Food Tank and Vessel

Liquid Food Processing Equipment



Large-scale Brewery Turnkey Project

Industry Overview

The liquid food industry comprises several markets, including soft drinks, alcoholic drinks (such as beer, wine and spirits), distilleries, fruit juice, dairy and other liquid food. In recent years, the liquid food 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 Group's liquid food business is well positioned in the industry and management sees further opportunities for growth.

According to the 2019 Beverage Processing Equipment Market Report, the global beverage processing equipment market is estimated to be valued at USD 18.2 billion in 2019 and the industry maintains a growth rate of approximately 5%. The market is projected to reach USD 24.3 billion by 2025. There are significant opportunities for beverage processing equipment from Asia-Pacific market and non-carbonated beverage segment holding high potential. The rise in consumer spending on fast-moving consumer goods such as soft drinks, beer, and nutritional beverages have driven the market for beverage processing equipment. However, the rising power and energy costs are inhibiting the growth of the beverage processing equipment market.

Processing equipment for liquid food together with the stainless steel tanks and vessels business are considered as key competence of the liquid food segment and are recognised in various markets like juice, beer, distilling and dairy for its product portfolio and quality. The segment develops, builds and installs complete systems and operates on a worldwide scale, complying with international quality and safety standards.

The liquid food segment's focus will be on expanding the current business in existing markets, the introduction of innovative products and services, and on winning of new customers. Additionally, it will focus to diversify themselves by using existing equipment and services into new and adjacent markets, e.g. dairy, juice and pharma.

Overall, the Group believes that the liquid food segment with its comprehensive knowledge and global experience will achieve further success in the liquid food equipment industry.

Business Review

With manufacturing footholds in both China and Europe, the segment continued its intention to further expand the production capacity in China, in order to facilitate the growth plans for Southeast Asia and other global markets. The segment will continue to transfer advanced manufacturing technologies and know-how from Europe to its Chinese operations, while continuing to explore business opportunities and revenue sources in emerging markets such as Latin America and Africa.

In 2019, the segment's core competence was further demonstrated in projects in Latin America, regarding large scale industrial brewery and brew house installations as well in other industries and commissioning, including the updating process of the automation systems. While developing craft beer business in Asia, the segment has developed new businesses diverse markets such as rice wine and pharmaceuticals.

The market for craft beer is considered an interesting growth opportunity for the segment. The global craft beer wave continued still in 2019 and after successful integration of DME, the liquid food segment is covering the entire value chain from the small microbrewery segment to large international/multinational breweries.

Operational Performance

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

Future Plans and Strategies

In the future, the liquid food segment will expand globally and diversify to equipment and project engineering for the manufacturing of food items other than beer, following a two-dimensional approach covering vertically beer production and horizontally other liquid food businesses. For vertical diversification, the segment continues to enhance its capabilities to offer turnkey solutions for brewing and strives to develop and deliver such services and products to our customers. For horizontal diversification, the segment endeavours to proactively develop business for other liquid food industries apart from beer, such as juice storage, transportation and dairy product processing.

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

Research and Development

The liquid food segment has been committed to delivering maximum value to customers by providing them with the most competitive equipment and engineering technology solutions on the basis of innovative development. The segment has strived to improve its key equipment product line for beer through providing integrated food equipment solutions to domestic and international markets, such as the development of the deoxygenated water supply system and the wine mixing system, as well as continuing to improve and promote its premium brewing system and equipment for craft beer. The segment will continue to enhance its R&D ability in new brewing technologies and achieve diversification through new business exploration.

With the acquisition of DME business in 2019, it has provided concrete support for the development of premium brewing business in the segment since DME Group, as a leading designer and manufacturer of equipment for the craft brewing sector in North America, has an immense accumulation of technologies in various sectors including craft beer, distilling, fermentation and pharmaceutical industry. With new market opened up by DME business, the expansion of craft beer business has become major focus of the food business, such as the technological research and development of CO2 recovery system, wine separation system and hops drying equipment.

In 2019, the segment has proactively explored and developed whiskey business and chinese spirits distillation technology, achieving significant innovation and securing orders accordingly.

Apart from brewing equipment, the segment has also made active investigations into new business frontiers, such as biopharmaceuticals, fruit juice, beverages, milk, vinegar and daily-use chemicals. Vigorous efforts have been made to drive technology upgrades and performance optimisation, while considerable investment has been made in the research and development of new products and new technologies, resulting in the launch of new products commanding sound sales.

Sales and Marketing

The liquid food segment's history goes back as far as to 1732, a date when Briggs was set up and 1852 for the establishment of Ziemann. Nowadays, the segment is one of the world's largest manufacturer of tanks and process equipment, with subsidiaries across China, the Netherlands, Germany, Belgium, Denmark and the UK, as well as representative offices in the US, Colombia, Vietnam and so on. Whether it involves beverage or liquid food industries, they can offer complete storage and process equipment worldwide, under the brand of "Ziemann Holvrieka", "Briggs, "DME" and "NSI". Major customers include global well-knowed beer company Constellation Brands, ABInBev, Heineken and SAB Miller, and customers from non-beer industry.

Qualifications

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 Russian Federation, 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 due respect and appreciation for intellectual properties, the Group also possesses certain patented technologies in a number of countries to protect its invention and know-how. As at 31 December 2019, the Group held exclusive rights to over 850 patents, including over 104 invention patents and 19 patents franchised by foreign parties. 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

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

1. Efforts in 2019 focused on driving the development of lean ability for the entire value chain. 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 launched a lean enhancement and energisation campaign for all employees to promote the lean improvement concept among our staff.

2. Based on the lean concept, continuous efforts were made to improve Order-to-Delivery ("OTD") time, system streamlining and process optimisation at the subsidiaries.

3. Against the general backdrop of nationwide green development, vigorous efforts were made in the inspection and rectification relating to HSE compliance, the enhancement in lifting operation and the formation of a dedicated HSE team, in order to build a "healthy, pleasant, harmonious and decent" workplace. As for green energy conservation, the Group commenced a total of 54 energy conservation and green development projects during the year, saving cost of approximately RMB 5 million.

4. Focused efforts were made to drive production sales coordination for key products. External benchmarking management has been made for internal improvements. During the year, the Group carried out 10 cost benchmarking projects for key products, resulting in effective enhancement of the general competitiveness of products.

5. We made ongoing initiatives to optimise and improve our supplier management regime and persisted in maintaining multiple suppliers for the purchase of raw materials, seeking to secure favourable purchase price for core materials. We also enhanced assurance for supply and exercising reasonable control over raw material costs by helping core suppliers to enhance their internal management ability.

6. The Group convened regular meetings with subsidiaries to discuss and formulate procurement plans, so as to ensure the efficient and systematic conduct of procurement work. Meanwhile, professional channel for procurement personnel was established to facilitate the reform in procurement organisational management.

7. Gradual installation of enterprise resource planning (the "ERP") software system and promotion of upgraded SRM system were conducted at subsidiaries with pilot implementation of online tender management, so as to boost efficiency.

The Group achieved sound results in cost reduction in 2019. We will continue to closely monitor and improve production costs based on the lean improvement concept in 2020.

Customer Services

The Group values long-standing relationship with customers and endeavours to help customers maintain safe and efficient operation of products. In tandem with the philosophy of "providing services to customers throughout the entire life cycle of products", the Group has established customer service centres in various cities in the PRC to provide technical instruction, training support and pointto- point services to customers on a 7x24 basis, assuring timely delivery of after-sales services and technical support. CIMC Energy Equipment Service (Jiangsu) Company Limited (中集能源裝備服務（江蘇）有限公司) was established during 2018, pledging to provide customers from the clean energy industry with services of superior quality with uniformity in brand name, standards, service points and platforms.

The rapid development of new technologies, such as artificial intelligence, big data and IOT, has also presented the Group's clean energy segment with opportunities in connection with transformation and upgrade to digitalised manufacturing. The Group established Anjiehui Internet of Things Information Technology (Suzhou) Co., Ltd. (安捷匯物聯信息技術（蘇州）有限公司) in June 2017 to provide customers with smart equipment monitoring service, 10-year-maintenance service, vehicular tank container depot management and full life-cycle big data service for products, helping them to facilitate a range of functions from unmanned duty shifts, security control, remote diagnostics, breakdown warning, preventive repair to aftersales service packages. Currently, several thousand clients are enjoying our innovative and carefree one-stop services.

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. In the meantime, it has also enhanced the development of its "IOT + tank container" business by launching a unified platform for monitoring, managing and servicing throughout the life-cycle of the tank containers, with a view to providing optimal services and solutions to help customers manage their tank container operations.

The technical knowledge of engineers in liquid food segment paired with practical experience from countless projects make us a strong and reliable partner. We deliver tailor-made services to help clients realise objectives in improving cost effectiveness. We offer worldwide support in a broad range of services, including consultancy, operational assistance, maintenance service, control system support, periodical inspection service, staff training, upgrades and retrofitting of installations. All our services can be delivered on a project or case-to-case basis.

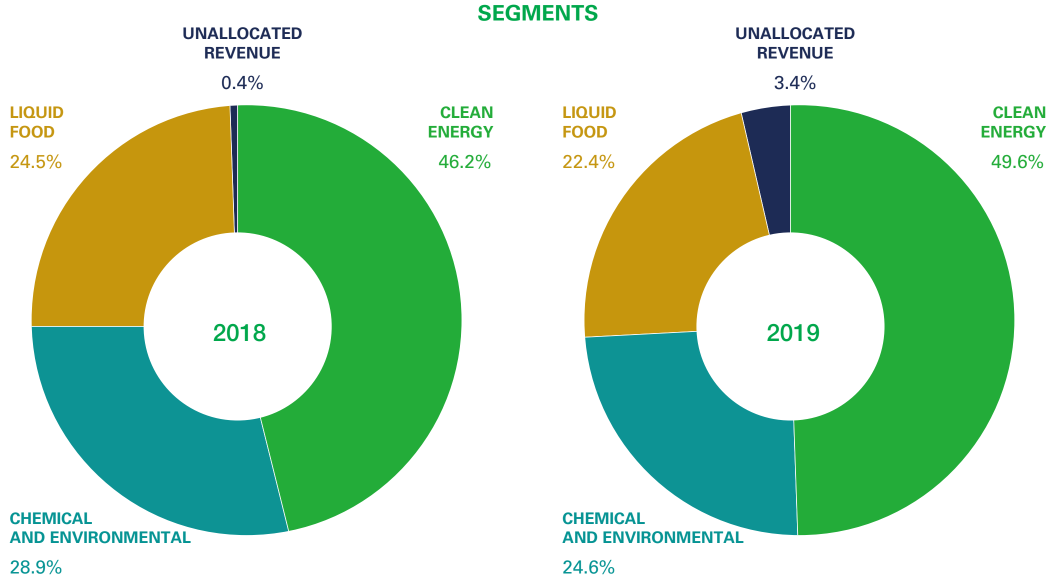
Capital Expenditure

In 2019, the Group invested RMB694,865,000 (2018: RMB561,598,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The clean energy segment, chemical and environmental segment and liquid food segment invested RMB434,044,000, RMB71,497,000 and RMB52,015,000 respectively (2018: RMB240,320,000, RMB62,465,000 and RMB74,970,000 respectively) in capital expenditure during the year. In addition, the Group had capital expenditure of RMB137,309,000 (2018: RMB183,843,000) that was not specific to any of the three business segments.

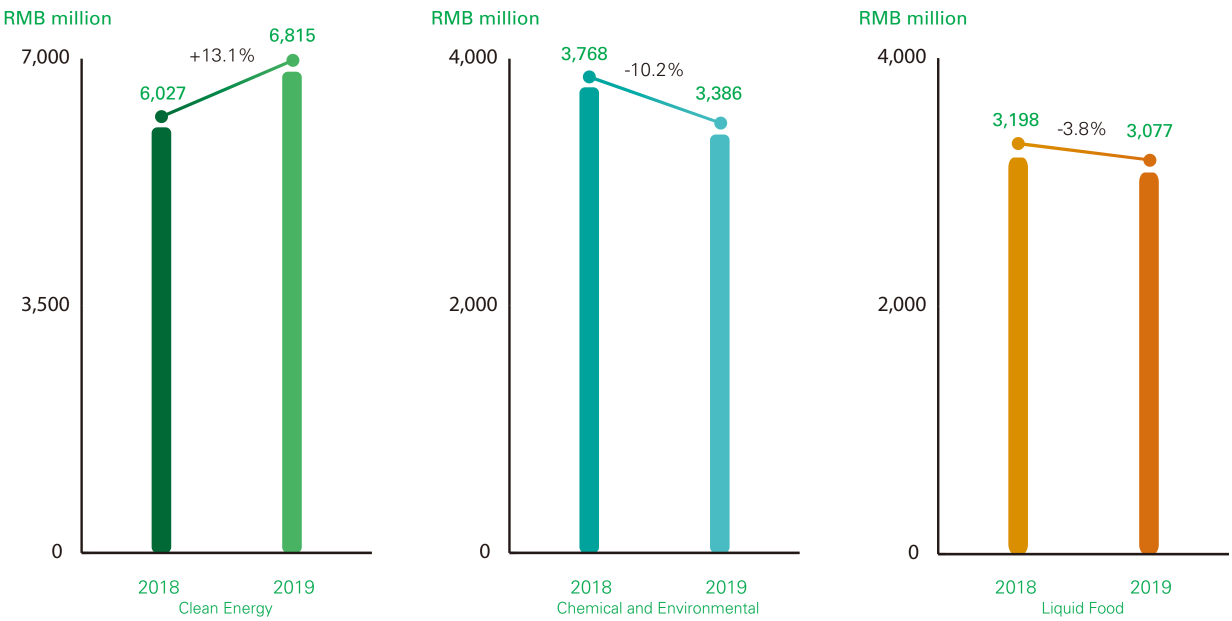
Other Revenue

Other revenue totalling RMB243,845,000 in 2019 (2018: RMB255,663,000) consisted of bank interest income, government grants and other operating revenue. Other revenue declined mainly because of a decrease in other operating revenue and a fall in interest income due to lower bank deposit balance during the year. The decline however was partially offset by the rise in government grants.

SALES BY BUSINESS SEGMENTS



Segment Revenue



Selling Expenses

Selling expenses decreased by 3.4% to RMB359,902,000 (2018: RMB372,379,000). Such expenses comprise provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses decreased mainly because of lower commission, advertising and promotion expenses due to the change of product mix as project engineering contracts' revenue contribution has increased during the year.

Administrative Expenses

Administrative expenses rose by 2.1% to RMB1,111,564,000 (2018: RMB1,088,398,000) which was mainly due to the increase in salaries and wages, research and development spending as well as equity-settled share-based payment expenses after the adoption of the restricted share award scheme in August 2019.

Impairment Loss on Financial Assets

Impairment loss on financial assets increased to RMB71,569,000 (2018:RMB10,678,000) as the Group has taken a more conservative approach and conducted more stringent impairment tests.

Other Net Income

Other net income of RMB82,369,000 in 2019 (2018: RMB90,195,000) comprised loss on disposal of property, plant and equipment, charitable donations, gain from bargain purchase, exchange gain and various miscellaneous income. The decreased in other net income in 2019 was mainly due to the decrease in foreign exchange gain. The Group exchange gain decreased from RMB38,990,000 in 2018 to RMB4,302,000 in 2019 because during the year USD was relatively stable and only appreciated slightly against RMB when comparing with 2018. While the increase in write back of payables and advances from customers during 2019 has to some extent offset the decrease in foreign exchange gain.

Finance Costs

During 2019, finance costs declined by 15.6% to RMB62,132,000 (2018: RMB73,577,000). Finance costs mainly comprised interest on bank loans and other loans from related parties of RMB49,029,000 (2018: RMB67,676,000). The fall of interest expenses was mainly due to the repayment of bank loans and loans from related parties during the year. However, bank charges rose due to the drawdown of new bank loans in 2019.

Taxation

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

Employees and Remuneration Policies

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

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

Liquidity and Financial Resources

At 31 December 2019, the cash and cash equivalents of the Group amounted to RMB2,534,752,000 (2018: RMB2,930,271,000). A portion of the Group's bank deposits totalling RMB257,029,000 (2018: RMB364,971,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and continued to take a prudent approach in future development and capital expenditure. The Group has been cautiously managing its financial resources and constantly reviews and maintains an optimal gearing level.

At 31 December 2019, the Group's bank loans and overdrafts amounted to RMB808,099,000 (2018: RMB1,164,107,000) and other than a three-year syndicated bank loan, the remaining are repayable within one year. Apart from the USD-denominated syndicated bank loan and the HKD-denominated loans that bear interest at floating rates, the overall bank loans bear interest at rates from 3.68% to 7.69% per annum. At 31 December 2019, the Group did not have any secured bank loan (2018: Nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2018: Nil). As at 31 December 2019, loans from related parties amounted to RMB186,402,000 (2018: RMB35,000,000), which are unsecured, interest bearing from 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and repayable within one year.

During 2019, net cash generated from operating activities amounted to RMB861,545,000 (2018: RMB1,589,896,000). The Group drew bank loans and loans from related parties totaling RMB997,268,000 (2018: RMB1,480,216,000) and repaid RMB1,470,208,000 (2018: RMB1,820,139,000). In addition, cash proceeds from the issuance of ordinary shares on exercise of share options and on the adoption of the restricted share award scheme during 2019 were RMB45,920,000 (2018: RMB21,446,000)and Nil (2018: RMB142,863,000). In 2019, a final dividend of approximately RMB246,109,000 (2018: RMB 131,486,000 was paid for the financial year 2017) was paid for the financial year of 2018.

	2019 RMB'000	2018 RMB'000
Net cash (used in)/ generated from		
– Operating activities	**861,545**	1,589,896
– Investing activities	**(550,759)**	(611,396)
– Financing activities	**(703,416)**	(350,466)
Total	**(392,630)**	628,034

Assets and Liabilities

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

Contingent Liabilities

CIMC Enric Investment Holdings (Shenzhen) Ltd. ("EIHL") received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court in December 2018, where SOEG PTE LTD ("SOEG") claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in SOE from SOEG in 2015. The litigation has entered into judicial proceedings in September 2019. After considering the current status of the litigation and opinion from independent legal counsels, the Directors of the Company were of the view that no provision was necessary for the litigation claims as at 31 December 2019.

Future Plans for Source of Funding and Capital Commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to some extent by loans from banks and related parties. At the same time, the Group will continuously take particular caution on the inventory level and credit policy, as well as further strengthening its receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. At 31 December 2019, the Group had contracted but not provided for capital commitments of RMB97,062,000 (2018: RMB93,485,000). As of 31 December 2019, the Group did not have any authorised but not contracted for capital commitments.

Foreign Exchange Exposure

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Gao Xiang

Chairman and Executive Director and chairman of Nomination Committee

Mr. Gao, aged 55, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009 and was re-designated to be the Chairman of the Board from the General Manger in April 2015. 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, and promoted to executive vice president in May 2018. He also holds directorships in certain subsidiaries of CIMC and subsidiaries of the Company.

Mr. Yang Xiaohu

General Manager and Executive Director

Mr. Yang, aged 45, 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 and was general manager of Nantong CIMC Tank Equipment Co., Ltd., (南通中集罐式儲運設備製造有限公司) a wholly-owned subsidiary of the Company from April 2015 to January 2018. 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

Mr. Yu, aged 54, 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 worked in the State Bureau of Commodity Price (國家物價局) of the PRC before joining CIMC in 1992. He is currently the vice president and company secretary of CIMC, responsible for investor relations, shareholder relations and financing management. Mr. Yu was a non- executive director of TSC Group Holdings Limited (formerly known as TSC Offshore Group Limited, shares of which are listed on the Main Board of the Stock Exchange) from 2011 to 2016. He is currently a Non-executive Director of CIMC-TianDa Holdings Company (formerly Known as China Fire Safety Enterprise Group Limited, shares of which are listed on the Main Board of the Stock Exchange), Pteris Global Limited, and Chairman of Shenzhen Sky Capital Ltd. (深圳天億投資有限公司). Mr. Yu is also a member of the Appellate Council Review Committee of the Shenzhen Stock Exchange and a member of the first session of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies. He holds directorships in certain subsidiaries of the Company.

Mr. Wang Yu

Non-executive Director

Mr. Wang, aged 47, 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 44, 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 economics 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 is currently a non-executive director of CIMC-TianDa Holdings Company Limited (formerly Know as China Fire safety enterprise Group Limited, shares of which are listed on the Main Board of the Stock Exchange). 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 49, 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) 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. She is currently a managing director of Rothschild & Co Hong Kong Limited, a Deputy Chairman of the Listing Committee of the Stock Exchange and a member of the SFC Advisory Committee. Ms. Yien is a Chartered Financial Analyst and an ordinary member of the Hong Kong Securities Institute. 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 59, joined the Group as an Independent Non-executive Director since 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 was retried from Gallant Y.T. Ho & Co. in November 2018. He is currently a partner of Anthony Siu & Co., and specialises in Hong Kong and China cross-border commercial legal services. He is also a member of the Greater China Legal Affairs Committee of The Law Society of Hong Kong 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 70, joined the Group as an Independent Non-executive Director since 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 and a member of Nomination Committee

Mr. Wang, aged 68, 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 PRC (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

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 52, 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.

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, and as the general manager of marine gas business center since 2018.

Mr. Huo Lating

Deputy General Manager

Mr. Huo, aged 55, was appointed as a deputy general manager of the Company in January 2016. He obtained a master's degree in accounting and financial management from Tianjin University of Finance (天津財經學院), and is a senior accountant. Mr. Huo worked in the supply and marketing cooperatives of Shijiazhuang from 1981 to 1995, was the general manager of Hebei Weiyuan Corporation from 1995 to 2003, and was an assistant to general manager of Hebei XinAo Gas Group from 2003 to 2007. He was an assistant to general manager of the Company from June 2007 to June 2008. Mr. Huo was the general manager of Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd., (荊門宏圖特種飛行器製造有限公司), a wholly-owned subsidiary of the Company from September 2008 to March 2017.

Mr. Ko Brink

Deputy General Manager

Mr. Ko Brink, aged 53, 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 15 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.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 48, is responsible for financial reporting, financial management, corporate finance and implementation of corporate governance practices of the Company. He obtained a bachelor's degree in business administration from Thames Valley University, the United Kingdom. Mr. Cheong 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.

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 2019, the Company complied with all the code provisions of the CG Code.

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 2019 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 2018 and 2019, and for the six months ended 30 June 2019 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 publication of voluntary announcement in relation to the litigation;
- approved the acquisition of selected assets of DME Group;
- approved the acquisition of 65.09% equity interests in Ningxia Changming Natural Gas Development Ltd; and
- approved the continuing connected transactions contemplated under financial services framework agreement (2019), master sales agreement (2019), master processing services agreement (2019) and master subcontracting services agreement (2019) entered into among the Company, CIMC, CIMC Finance.

Board of Directors *(Continued)*

The Board *(Continued)*

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 2019 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 2018 and 2019 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 Directors present during the year 2019.

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.

Board of Directors *(Continued)*

The Board *(Continued)*

The Company Secretary or his 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 two Executive Directors and three Non-executive Directors.

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

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 37 to 40 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.

Board of Directors *(Continued)*

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 2019 and in 2020 (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 37 to 39 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 2019.

Board of Directors *(Continued)*

Director's attendance

	No. of meetings attended during 2019				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meetings
Executive Directors					
Mr. Gao Xiang *(Chairman)*	6/6	–	–	1/1	1/1
Mr. Yang Xiaohu *(General Manager)*	6/6	–	–	–	1/1
Non-executive Directors					
Mr. Yu Yuqun	5/6	–	–	–	0/1
Mr. Wang Yu	5/6	–	–	–	0/1
Mr. Zeng Han	6/6	–	1/1	–	0/1
Independent Non-executive Directors					
Ms. Yien Yu Yu, Catherine	6/6	4/4	–	–	1/1
Mr. Tsui Kei Pang	6/6	4/4	1/1	–	1/1
Mr. Zhang Xueqian	6/6	4/4	1/1	1/1	0/1
Mr. Wang Caiyong	6/6	4/4	–	1/1	0/1

	No. of meetings attended during 1 January 2020 to the date of this report				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meetings
Executive Directors					
Mr. Gao Xiang *(Chairman)*	2/2	–	–	1/1	–
Mr. Yang Xiaohu *(General Manager)*	2/2	–	–	–	–
Non-executive Directors					
Mr. Yu Yuqun	2/2	–	–	–	–
Mr. Wang Yu	2/2	–	1/1	–	–
Mr. Zeng Han	2/2	–	–	–	–
Independent Non-executive Directors					
Ms. Yien Yu Yu, Catherine	2/2	1/2	–	–	–
Mr. Tsui Kei Pang	2/2	2/2	1/1	–	–
Mr. Zhang Xueqian	2/2	2/2	1/1	1/1	–
Mr. Wang Caiyong	2/2	2/2	–	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 2019 and up to the date of this Report, the Company organised one seminar for the Directors relating to updates on requirements and procedures for spin-off listing in Hong Kong. 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 2019 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.

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 and Restricted shares 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 2019 and 2018 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 2019:

	Number of individuals
HKD 1,000,001 – HKD 1,500,000	1
HKD 2,500,001 – HKD 3,000,000	3
HKD 3,000,001 – HKD 3,500,000	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 three committees, namely the Audit Committee, the Remuneration Committee and the Nomination 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 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.

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 2019, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2019;
- 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 2018 and the six months ended 30 June 2019, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2018, and the interim results for the six months ended 30 June 2019 with the external auditor;
- the continuing connected transactions of the Group during 2019 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; and
- the effectiveness of risk management and internal control systems of the Group for 2019.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee *(Continued)*

In 2019 and up to the date of this Report, the Company engaged PricewaterhouseCoopers as the external auditor of the Group. PricewaterhouseCoopers provided audit and audit related services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Nature of Service	Fees RMB'000
Review of the Group's financial statements for the six months ended 30 June 2019	840
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2019	5,925
Other financial services in relation to an acquisition	749
Consulting services	538
Total	8,052

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2019 and up to the date of this report.

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 2019, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, considered, reviewed and made recommendations to the Board on the remuneration packages of the Directors re-appointed during 2019 and the other Directors (except the members of the Remuneration Committee).

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Nomination Committee

The Nomination Committee is chaired by Mr. Gao Xiang, the 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 2019, 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; and
- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2019, and made recommendation to the Board.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, Mr. Cheong Siu Fai, who is also the Financial Controller of the Company. 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.

The Company Secretary's biography is set out on page 40 under the section headed "Directors and Senior Management" and on the Company's website. During 2019, the Company Secretary undertook over 15 hours of relevant professional training.

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 60. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 77.

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.

Accountability and Audit *(Continued)*

Risk management and Internal controls *(Continued)*

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 Audit Committee. The outcome of any investigation and follow-up action of all legitimate allegations will be reported to the Board by the Audit Committee.

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 2019.

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 2019

In 2019, the Company held one general meetings, being AGM.

The AGM was held on 20 May 2019 at Admiralty Conference Centre, Unit 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harbour Road, Admiralty, 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 2018;
- declaration of a final dividend in respect of year 2018 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 10 April 2019. The poll results of the AGM 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
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 www.irasia.com/listco/hk/enric.

Changes of the Memorandum and Articles of Association

During the year ended 31 December 2019, 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.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 25 March 2020

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2019.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

The principal activities of the Group are the design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance service 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 21 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 12.8% to RMB7,384,511,000 (2018: RMB6,545,794,000) which was mainly attributable to net profit RMB901,405,000 and capital contribution from exercise of option of RMB45,920,000, which were partially offset by dividend pay-out of RMB246,109,000 for the year.

Revenue rose by 5.3% to RMB13,743,019,000 (2018: RMB13,051,651,000) which shows the Group's revenue generating ability has grown due to both organic and acquisition growth.

Profit attributable to equity shareholder increased by 16.0% to RMB911,007,000 (2018: RMB785,502,000) indicates the Group has improved its profitability.

Return on equity increased by 0.5 percentage point to 13.5% (2018: 13.0%) which indicates the Group has increased efficiency in utilising its equity to generate profit.

Gearing ratio decreased from 18.8% in 2018 to 14.3% in 2019 mainly because of a lower amount of bank loans, loans from relation parties and other borrowings coupled with an increased level of net assets. This indicates during 2019 the Group had less reliance on interest bearing debts in financing its business operations and investments when comparing with 2018.

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 clean energy, chemical and environmental, 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 no later than 31 May 2020.

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 clean energy, chemical and environmental 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 service 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 loss of the Group for the year ended 31 December 2019 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 82 to 89.

Dividends and Reserves

The Board is pleased to propose a final dividend in respect of 2019 of HKD0.20 per ordinary share (the "2019 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on Friday, 29 May 2020.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 39(b) 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.

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 2019 is as follows:

	Percentage of the Group's total	
	sales	**purchases**
The largest customer	4.3%	–
Five largest customers in aggregate	16.0%	–
The largest supplier	–	15.6%
Five largest suppliers in aggregate	–	29.6%

Notes: 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 more 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 40 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB105,000 (2018: RMB912,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 39(a) 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 13,434,000 shares of the Company, fully paid, were issued for a total consideration of RMB45,920,000.

Details of the shares issued during the year are set out in note 39 to the financial statements.

Equity-linked Agreements

Save for the share option scheme of the Company as set out on pages 66 to 71, 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 2019 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:

Executive Directors

Mr. Gao Xiang *(Chairman)*
Mr. Yang Xiaohu *(General Manager)*

Non-executive Directors

Mr. Yu Yuqun
Mr. Wang Yu
Mr. Zeng Han

Independent Non-executive Directors

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

At the forthcoming AGM, Messrs. Mr. Gao Xiang, Mr. Yang Xiaohu and Mr. Tsui Kei Pang 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 2019, 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	1,900,000	0.09%
Yang Xiaohu	Beneficial owner	1,800,000	0.09%
Yu Yuqun	Beneficial owner	1,000,000	0.05%
Wang Yu	Beneficial owner	400,000	0.02%
Zeng Han	Beneficial owner	400,000	0.02%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2019, which was 2,010,432,588.

Directors' Interests in Shares *(Continued)*

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC (A Shares)	Gao Xiang	Beneficial owner (Note 1)	450,000 (Note 2)	0.02% (Note 3)
	Yu Yuqun	Beneficial owner (Note 1)	900,000 (Note 2)	0.05% (Note 3)
	Wang Yu	Beneficial owner (Note 1)	300,000 (Note 2)	0.02%(Note 3)
	Zeng Han	Beneficial owner (Note 1)	346,500 (Note 2)	0.02% (Note 3)

Notes:

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

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

3. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 31 December 2019, which was 1,524,612,452.

Save as disclosed above, as at 31 December 2019, 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 2019, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2019, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2019, which was 2,010,432,588.

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

Save as disclosed above, as at 31 December 2019, (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 11 November 2009, the Company granted share options to certain eligible persons to subscribe for a total of 43,750,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 5,770,000 of these options were lapsed on the expiry date (10 November 2019).

Further, 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 2,980,000 number of these options were lapsed as at 31 December 2019.

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. A total of 5,220,000 number of these options were lapsed as at 31 December 2019.

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

Share Options *(Continued)*

During the year ended 31 December 2019, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2019	granted during the year	exercised during the year	lapsed during the year	transferred to/ from other category	outstanding at 31 December 2019
Directors								
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	(1,000,000)	–	–	–
	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	11/11/2009	11/11/2010–10/11/2019	164,000	–	(164,000)	–	–	–
	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	11/11/2009	11/11/2010–10/11/2019	698,000	–	(698,000)	–	–	–
	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
Zeng Han	11/11/2009	11/11/2010–10/11/2019	250,000	–	(250,000)	–	–	–
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
			5,412,000	–	(2,112,000)	–	–	3,300,000
Employees	11/11/2009	11/11/2010–10/11/2019	6,092,000	–	(5,312,000)	(780,000)	–	–
	28/10/2011	28/10/2013–27/10/2021	14,936,000	–	(934,000)	–	–	14,002,000
	05/06/2014	05/06/2016–04/06/2024	26,930,000	–	–	(160,000)	–	26,770,000
Other participants	11/11/2009	11/11/2010–10/11/2019	6,550,000	–	(5,000,000)	(1,550,000)	–	–
	28/10/2011	28/10/2013–27/10/2021	1,730,000	–	(76,000)	–	–	1,654,000
	05/06/2014	05/06/2016–04/06/2024	4,900,000	–	–	(170,000)	–	4,730,000
Total			66,550,000	–	(13,434,000)	(2,660,000)	–	50,456,000

Share Options *(Continued)*

Notes:

1. Regarding the share options granted on 11 November 2009:

   Subject to certain conditions as stated in the offer letter to the respective grantee, 50% of the options granted to any grantee become exercisable from 11 November 2010 and up to 10 November 2019; and the remaining 50% of which become exercisable from 11 November 2011 and up to 10 November 2019. The exercise price of all the options granted is HKD4.00 per share. The options were already lapsed.

2. 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.

3. 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 2019 and up to 4 June 2024. The exercise price of all the options granted is HKD11.24 per share.

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2019 was HKD5.05 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.

Share Options *(Continued)*

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.

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 9.63% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total number of 244,116,608 Shares representing 12.14% of the issued share capital of the Company, are available for grant under the Scheme and New Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled for the year ended 31 December 2019.

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 340,000,000 Restricted Shares have been allotted to the Directors of the Company during the year of 2018. As the vesting conditions of the first vesting period have been fulfilled, as at 31 December 2019, there were a total of 1,020,000 Restricted Shares have been vested to the Directors of the Company, details of which are as follows:

		Number of Restricted Shares				
Name of Directors	Date of grant	Outstanding as at 1 January 2019	granted during the year	Vested during the year	Outstanding as at 31 December 2019	Vesting Period
Gao Xiang	24 August 2018	1,000,000	–	300,000	700,000	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	1,200,000	–	360,000	840,000	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Total		3,400,000	–	1,020,000	2,380,000	

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.

Litigation

CIMC Enric Investment Holdings (Shenzhen) Limited (中集安瑞科投資控股深圳有限公司) ("Enric Shenzhen"), an indirect wholly-owned subsidiary of the Company received certain litigation papers served by the Jiangsu Province High People's Court (江蘇省高級人民法院), including a notification calling for response to the action (2018) Su Min Chu No.37 and summons.

On 27 August 2015, Enric Shenzhen, SOEG PTE LTD ("SOEG") and Jiangsu Pacific Shipbuilding Group Co., Ltd. (江蘇太平洋造船集團股份有限公司) (collectively referred to as "Vendors"), entered into an equity transfer agreement in relation to Enric Shenzhen agreed to acquire 33.36% equity interest in Nantong SinoPacific Offshore & Engineering Co., Ltd 南通太平洋海洋工程有限公司 (now known as Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd 南通中集太平洋海洋工程有限公司) ("SOE") for a consideration of RMB233,520,000. Enric Shenzhen paid the first instalment of consideration, and the completion was conditional on the satisfaction or waiver of conditions precedent. On 1 June 2016, the Company announced that the Board was of the view that certain conditions precedent under the equity transfer agreement cannot be fulfilled on or before the long stop date, and the Vendors had breached certain material terms of equity transfer agreement, and to terminate the acquisition of entire equity interests of SOE. In this regard, Enric Shenzhen delivered termination notices to the Vendors and requested the return of the first instalment of consideration, and payment of damages and interests as a result of the breaches.

SOEG as plaintiff claims that Enric Shenzhen should (1) pay for the remaining balance of the equity transfer of RMB153,456,000; (2) bear the attorney fee loss of RMB50,000; (3) bear the costs of this litigation.

The case has been accepted by Jiangsu Province High People's Court (江蘇省高級人民法院), Enric Shenzhen has filed an objection to the jurisdiction to the Jiangsu Province High People's Court (江蘇省高級人民法院). In April 2019, Jiangsu Province High People's Court (江蘇省高級人民法院) issued a Civil Ruling to support Enric Shenzhen's application for jurisdiction objection and transferred the case to Nantong Intermediate People's Court (南通市中級人民法院). The litigation has entered into judicial proceedings in September 2019.

The details of the ligations are disclosed in the announcement of the Company dated 31 January 2019.

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 23 December 2016, the Company entered into Master Sales Agreement (2016) with CIMC under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the Group's sale to CIMC Group was RMB197,216,000.

On 23 December 2016, the Company entered into Master Services Agreement (2016) with CIMC under which the Group agreed to provide processing services, and other related services to the CIMC Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the service income recognised by the Group was RMB914,000

On 23 December 2016, the Company entered into Master Office Services Agreement (2016) with CIMC, whereby the Group agreed to provide office services to the CIMC Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the office service income recognised by the Group was RMB1,738,000.

On 23 December 2016, the Company entered into Master Processing Agreement (2016) 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 2017 to 31 December 2019. During the year, the processing service charge incurred by the Group was RMB23,325,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

On 23 December 2016, the Company entered into Master Procurement Agreement (2016) 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 2017 to 31 December 2019 and the agreement. During the year, the Group's total purchase from CIMC Group was RMB159,748,000.

On 24 April 2017, the Company entered into Financial Services Framework Agreement (2017) 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 27 April 2017 to 31 December 2019. During the year, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB529,457,000.

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.

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 27 December 2016, 25 January 2017, 24 April 2017, 14 November 2017 and 18 May 2018 made by the Company in respect of each of the disclosed continuing connected transactions.

Note 44 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.

Connected Transactions and Interests in Contracts *(Continued)*

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.

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 41 to 58. 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 2019.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2019 Final Dividend, the register of members of the Company will be closed from Monday, 08 June 2020 to Friday, 12 June 2020 (both days inclusive). In order to qualify for the 2019 Final Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 05 June 2020.

Subject to the approval by shareholders at the AGM to be held on 29 May 2020, the 2019 Final Dividend will be paid in cash on or about 6 July 2020 to shareholders whose names appear on the register of members of the Company on 12 June 2020 (the "Record Date")

Moreover, for determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from Monday, 25 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 22 May 2020.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2019 Final Dividend

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

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

In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2019 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2019 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Friday, 05 June 2020.

With respect to individual investors of Shanghai-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2019 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under the Notice Regarding Tax Policies Related to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and Notice Regarding Tax Policies Related to the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

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

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

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, 25 March 2020

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") set out on pages 82 to 183, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 a summary of significant accounting policies.

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 2019, 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 and bills receivables
- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade and bills receivables	
Refer to Note 2(i)(iv) of accounting policy of impairment of financial assets, Note 3 – Accounting estimates and judgements and Note 25 – Trade and bills receivables to the consolidated financial statements. As at 31 December 2019, the carrying amount of trade and bills receivables amounted to Renminbi ("RMB") 2,715,828,000 (after provision of RMB 316,116,000), representing approximately 17% of the Group's total assets. The Group applies HKFRS 9 simplified approach to measure expected credit loss. Trade receivables have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics. We focused on this area due to the significance of the trade and bills receivables balance and the significant judgements involved in measuring expected credit loss rate.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over the assessment of the expected credit loss of trade and bills receivables. Those controls were related to the identification of impaired receivables and the quantification and recording of impairment provisions. (ii) We tested the accuracy of ageing analysis of receivables balances prepared by management on a sample basis. (iii) We assessed the expected credit loss by checking the supporting evidence, including subsequent settlements, credit history, business performance, financial capability of these customers and forecast market condition. (iv) We examined samples of receivables which had been identified as impaired by management and formed our own judgement as to whether that was appropriate, including assessing the appropriateness of the Group's grouping and calculation of expected credit loss. Based on our work performed, we found that management's judgement on the estimates of impairment provision 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 – Accounting estimates and judgements and Note 23 – Goodwill to the consolidated financial statements. As at 31 December 2019, the carrying amount of goodwill of the Group amounted to RMB251,962,000. Impairment provision of RMB15,000,000 had been recognised during the year ended 31 December 2019. Management conducted an impairment review by comparing the recoverable amounts of the goodwill, estimated based on value-in-use calculations, with the carrying value. 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 were involved in 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 regarding goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment provision. (ii) We obtained management's worksheets of impairment of goodwill and tested the mathematical accuracy of the calculations. (iii) 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. (iv) We evaluated the discount rates by involving our internal valuation specialist. (v) We performed sensitivity test on gross margins and discount rates. Based on our work performed, we found that management's key assumptions on goodwill impairment test 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, related safeguards.

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 Zee, Ho Sum.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Year ended 31 December	
	Notes	2019 RMB'000	2018 RMB'000
Revenue	6&14	**13,743,019**	13,051,651
Cost of sales		**(11,391,725)**	(10,825,903)
Gross profit		**2,351,294**	2,225,748
Change in fair value of derivative financial instruments		**4,100**	(2,064)
Other revenue	7	**243,845**	255,663
Other income, net	7	**82,369**	90,195
Net impairment loss on financial assets	8(d)	**(71,569)**	(10,678)
Selling expenses		**(359,902)**	(372,379)
Administrative expenses		**(1,111,564)**	(1,088,398)
Profit from operations		**1,138,573**	1,098,087
Finance costs	8(a)	**(62,132)**	(73,577)
Share of post-tax profit/(loss) of associates	20	**9,371**	(4,094)
Profit before taxation	8	**1,085,812**	1,020,416
Income tax expenses	9	**(184,407)**	(237,966)
Profit for the year		**901,405**	782,450
Attributable to:			
Equity shareholders of the Company		**911,007**	785,502
Non-controlling interests		**(9,602)**	(3,052)
Profit for the year		**901,405**	782,450
Earnings per share			
– Basic	13	**RMB0.464**	RMB0.403
– Diluted		**RMB0.459**	RMB0.398

The notes on pages 90 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year		**901,405**	782,450
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(17,272)**	(38,689)
Share of other comprehensive income of associates	20	**48**	–
Total comprehensive income for the year		**884,181**	743,761
Attributable to:			
Equity shareholders of the Company		**893,783**	746,813
Non-controlling interests		**(9,602)**	(3,052)
Total comprehensive income for the year		**884,181**	743,761

The notes on pages 90 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
		As at 31 December	
Non-current assets			
Property, plant and equipment	15	**2,966,655**	2,615,084
Construction in progress	16	**425,145**	148,938
Right-of-use assets	17	**33,718**	–
Lease prepayments	18	**578,151**	577,541
Intangible assets	19	**200,152**	204,976
Investments in associates and equity investments	20	**161,430**	131,400
Prepayment for acquisition of equity interests	22	**50,000**	50,000
Goodwill	23	**251,962**	256,849
Deferred tax assets	36(b)	**113,963**	107,333
		4,781,176	4,092,121
Current assets			
Derivative financial instruments	29	**3,210**	1,749
Inventories	24	**3,676,319**	3,864,951
Contract assets	14(d)	**919,042**	787,547
Trade and bills receivables	25	**2,715,828**	3,011,733
Deposits, other receivables and prepayments	26	**884,109**	616,760
Amounts due from related parties	44(c)	**128,568**	183,251
Restricted bank deposits	27	**257,029**	364,971
Cash and cash equivalents	28	**2,534,752**	2,930,271
		11,118,857	11,761,233
Current liabilities			
Derivative financial instruments	29	**876**	3,515
Bank loans	30	**263,955**	477,787
Lease liabilities	17	**8,496**	–
Loans from related parties	44(d)	**186,402**	35,000
Other borrowings	34	**21,586**	8,305
Trade and bills payables	31	**2,420,392**	2,711,308
Contract liabilities	14(d)	**2,870,689**	2,950,127
Other payables and accrued expenses	32	**1,375,569**	1,525,315
Amounts due to related parties	44(c)	**84,200**	151,699
Warranty provision	33	**113,915**	199,902
Income tax payable	36(a)	**51,226**	26,196
Employee benefit liabilities	38	**511**	480
		7,397,817	8,089,634
Net current assets		**3,721,040**	3,671,599
Total assets less current liabilities		**8,502,216**	7,763,720

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current liabilities			
Bank loans	30	**544,144**	686,320
Warranty provision	33	**67,880**	86,311
Deferred tax liabilities	36(b)	**199,639**	169,235
Deferred income	37	**235,858**	248,646
Employee benefit liabilities	38	**4,603**	4,321
Other borrowings	34	**38,455**	23,093
Lease liabilities	17	**27,126**	–
		1,117,705	1,217,926
NET ASSETS		**7,384,511**	6,545,794
CAPITAL AND RESERVES			
Share capital	39(a)	**18,371**	18,253
Reserves	39(b)	**7,117,737**	6,349,454
Equity attributable to equity shareholders of the Company		**7,136,108**	6,367,707
Non-controlling interests		**248,403**	178,087
TOTAL EQUITY		**7,384,511**	6,545,794

The notes on pages 90 to 183 form an integral part of these consolidated financial statements.

The financial statements on pages 82 to 183 were approved by the Board of Directors on 25 March 2020 and were signed on its behalf.

Gao Xiang
Director

Yang Xiaohu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Attributable to equity shareholders of the Company

	Share capital RMB'000 39(a)	Share premium RMB'000 39(b)(i)	Shares held for share award scheme RMB'000 35(b)	Contributed surplus RMB'000 39(b)(ii)	Capital reserve RMB'000 39(b)(iii)	Exchange reserve RMB'000 39(b)(iv)	General reserve fund RMB'000 39(b)(v)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (restated)	17,793	168,902	–	1,127,571	177,699	(320,797)	483,554	4,054,255	5,708,977	145,140	5,854,117
Profit for the year	–	–	–	–	–	–	–	785,502	785,502	(3,052)	782,450
Other comprehensive income											
Currency translation differences	–	–	–	–	–	(38,689)	–	–	(38,689)	–	(38,689)
Total comprehensive income for the period	–	–	–	–	–	(38,689)	–	785,502	746,813	(3,052)	743,761
Issuance of shares in connection with exercise of share options	69	30,189	–	–	(8,812)	–	–	–	21,446	–	21,446
Issuance of ordinary shares in connection with share award scheme	391	142,472	(144,977)	–	–	–	–	–	(2,114)	–	(2,114)
Transfer to retained earnings	–	–	–	–	(5,279)	–	–	5,279	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	32,031	32,031
Acquisition of additional interest in a subsidiary	–	–	–	–	(5,460)	–	–	–	(5,460)	5,460	–
Equity-settled share-based transactions (note 35)	–	–	–	–	29,960	–	–	–	29,960	–	29,960
Change in ownership interests in a subsidiary without change of control	–	–	–	–	2,571	–	–	–	2,571	1,286	3,857
Transfer to general reserve	–	–	–	–	–	–	35,557	(35,557)	–	–	–
2017 final dividend paid	–	–	–	–	–	–	–	(131,486)	(131,486)	–	(131,486)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,778)	(2,778)
Distribution to previous shareholders of Nantong Yongxin Logistics Co., Ltd. under common control combination	–	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the company, recognised directly in equity	460	172,661	(144,977)	(3,000)	12,980	–	35,557	(161,764)	(88,083)	35,999	(52,084)
At 31 December 2018	18,253	341,563	(144,977)	1,124,571	190,679	(359,486)	519,111	4,677,993	6,367,707	178,087	6,545,794

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 39(a)	Share premium RMB'000 39(b)(i)	Shares held for share award scheme RMB'000 35(b)	Contributed surplus RMB'000 39(b)(ii)	Capital reserve RMB'000 39(b)(iii)	Exchange reserve RMB'000 39(b)(iv)	General reserve fund RMB'000 39(b)(v)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018	18,253	341,563	(144,977)	1,124,571	190,679	(359,486)	519,111	4,677,993	6,367,707	178,087	6,545,794
Profit for the year	–	–	–	–	–	–	–	911,007	911,007	(9,602)	901,405
Other comprehensive income											
Share of other comprehensive income of associates	–	–	–	–	–	–	–	48	48	–	48
Currency translation differences	–	–	–	–	–	(17,272)	–	–	(17,272)	–	(17,272)
Total comprehensive income for the period	–	–	–	–	–	(17,272)	–	911,055	893,783	(9,602)	884,181
Issuance of shares in connection with exercise of share options	118	69,374	–	–	(23,572)	–	–	–	45,920	–	45,920
Shares held for share award scheme – vesting of awarded shares	–	35,768	43,164	–	(35,768)	–	–	–	43,164	–	43,164
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	40,500	40,500
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	79,307	79,307
Equity-settled share-based transactions (note 35)	–	–	–	–	36,669	–	–	–	36,669	–	36,669
Change in ownership interests in a subsidiary without change of control (note 45)	–	–	–	–	(5,026)	–	–	–	(5,026)	(37,974)	(43,000)
Transfer to general reserve	–	–	–	–	–	–	34,621	(34,621)	–	–	–
2018 final dividend paid	–	–	–	–	–	–	–	(246,109)	(246,109)	–	(246,109)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,915)	(1,915)
Total contributions by and distributions to owners of the company, recognised directly in equity	118	105,142	43,164	–	(27,697)	–	34,621	(280,730)	(125,382)	79,918	(45,464)
At 31 December 2019	18,371	446,705	(101,813)	1,124,571	162,982	(376,758)	553,732	5,308,318	7,136,108	248,403	7,384,511

The notes on pages 90 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Operating activities			
Profit before taxation		**1,085,812**	1,020,416
Adjustments for:			
Depreciation and amortisation		**299,527**	279,466
Depreciation of right-of-use asset	17	**8,335**	–
Net impairment losses on financial assets	8(d)	**71,569**	10,678
Impairment of goodwill and intangible asset		**63,460**	17,087
Equity-settled share-based payment expenses for Restricted Share Award Scheme	8(b)	**36,669**	26,777
Equity-settled share-based payment expenses for share option scheme	8(b)	**–**	3,183
Share of (profits)/losses of associates	20	**(9,371)**	4,094
Gain on derecognition of contingent consideration payable		**(48,000)**	–
Change in fair value of derivative financial instruments		**(4,100)**	2,064
Interest income	7	**(11,745)**	(17,229)
Interest charges	8(a)	**49,029**	67,676
Net loss on disposal of property, plant and equipment and investment property	7	**5,371**	1,143
Foreign exchange gain	7	**(4,302)**	(38,990)
Operating profit before changes in working capital		**1,542,254**	1,376,365
Decrease/(increase) in inventories		**197,533**	(792,679)
Decrease/(increase) in trade receivable and bills receivables		**234,834**	(82,648)
(Increase)/decrease in contract assets		**(131,495)**	264,181
Increase in deposit, other receivables and prepayments		**(220,056)**	(99,819)
Decrease in amounts due from related parties		**87,047**	2,836
(Decrease)/increase in trade and bills payables		**(314,988)**	278,374
(Decrease)/increase in other payables and accrued expenses		**(228,124)**	70,009
(Decrease)/increase in contract liabilities		**(81,399)**	781,540
(Decrease)/increase in amounts due to related parties		**(67,499)**	23,987
Increase in employee benefit liabilities		**313**	568
Decrease in deferred income		**(15,040)**	(5,402)
(Decrease)/increase in warranty provisions		**(103,754)**	17,754
Decrease in restricted bank deposits		**107,942**	–
Cash generated from operations		**1,007,568**	1,835,066
Income tax paid	36(a)	**(146,023)**	(245,170)
Net cash from operating activities		**861,545**	1,589,896

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(426,333)**	(286,711)
Payment for lease prepayments		**(77,399)**	(83,005)
Payment for acquisition of intangible assets		**(6,300)**	(9,146)
Proceeds from disposal of property, plant and equipment, lease prepayment and investment property		**129,697**	32,355
Interest received		**11,745**	17,229
Acquisition of subsidiaries, net of cash acquired	46(c)	**(118,558)**	(3,000)
Prepayment for acquisition of equity interest		**–**	(50,000)
Payment for investment in associates and equity investments	20	**(23,275)**	(129,739)
Payment for additional interest in a subsidiary	45	**(43,000)**	–
Dividends from associates	20	**2,664**	–
Restricted bank deposits		**–**	(99,379)
Net cash used in investing activities		**(550,759)**	(611,396)
Financing activities			
Proceeds from new bank loans		**725,866**	1,134,576
Repayment of bank loans		**(1,350,208)**	(1,404,499)
Interest paid		**(48,731)**	(71,155)
Repayment of other borrowings		**(13,824)**	(8,209)
Capital contribution from the non-controlling interest		**40,500**	35,998
Proceeds from shares issued under the Restricted Share Award Scheme		**–**	142,863
Proceeds from shares issued under share option scheme		**45,920**	21,446
Loans from related parties		**271,402**	345,640
Repayment of loans from related parties		**(120,000)**	(415,640)
Principal elements of lease payments		**(6,317)**	–
Dividends paid to the Company's shareholders		**(246,109)**	(131,486)
Dividends paid to non-controlling interest		**(1,915)**	–
Net cash used in financing activities		**(703,416)**	(350,466)
Net (decrease)/increase in cash and cash equivalents		**(392,630)**	628,034
Cash and cash equivalents at 1 January		**2,930,271**	2,259,890
Effect of foreign exchange rate changes		**(2,889)**	42,347
Cash and cash equivalents at 31 December	28	**2,534,752**	2,930,271

The notes on pages 90 to 183 form an integral part of these consolidated 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 its listing on the Stock Exchange of Hong Kong Limited.

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 25 March 2020.

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) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

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

2 Significant accounting policies *(Continued)*

(c) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2020 and have not been early adopted:

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(d) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

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

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

2 Significant accounting policies *(Continued)*

(d) Changes in accounting policies and disclosures *(Continued)*

(i) Practical expedients applied

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

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

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

(ii) Measurement of lease liabilities

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

2 Significant accounting policies *(Continued)*

(d) Changes in accounting policies and disclosures *(Continued)*

(iii) Measurement of right-of-use assets

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

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

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

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

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

(e) 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(f)).

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.

2 Significant accounting policies *(Continued)*

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

(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).

(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.

2 Significant accounting policies *(Continued)*

(f) 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 to 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.

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.

2 Significant accounting policies *(Continued)*

(g) 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.

(h) 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 in 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.

(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.

2 Significant accounting policies *(Continued)*

(h) Foreign currency translation *(Continued)*

(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.

(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.

2 Significant accounting policies *(Continued)*

(i) 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.

(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.

2 Significant accounting policies *(Continued)*

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

(iii) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model 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.

(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.

2 Significant accounting policies *(Continued)*

(j) 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 the termination of a contract.

(k) 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.

(l) 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 derivative financial instruments".

(m) 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(af)).

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.

2 Significant accounting policies *(Continued)*

(m) Property, plant and equipment *(Continued)*

(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.

(n) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2(f). 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)).

On 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.

2 Significant accounting policies *(Continued)*

(n) Intangible assets *(Continued)*

(ii) 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(af)). 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.

Other intangible assets 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
Qualified natural gas exploitation license	20 to 25 years

Both the period and method of amortisation are reviewed annually.

(o) Lease

As explained in note 2(d) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2(d).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 43). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

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.

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

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;
- right-of-use assets;
- lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries and associates.

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.

2 Significant accounting policies *(Continued)*

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

- 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(aa). 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(i)(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)*

(ii) Share-based payments *(Continued)*

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 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 and lapsed (when it is transferred to the share premium account) or the option expires (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.

(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.

2 Significant accounting policies *(Continued)*

(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.

2 Significant accounting policies *(Continued)*

(aa) 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.

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.

(ab) 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 deposit" where it is earned from financial assets that are held for cash management purposes, see note 7 below.

(ac) 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".

2 Significant accounting policies *(Continued)*

(ad) 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.

(ae) 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.

(af) 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.

2 Significant accounting policies *(Continued)*

(ag) 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.

(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).

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.

2 Significant accounting policies *(Continued)*

(ah) 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.

(ai) Profit from operations

Profit from operations is the profit before taxation generated from the Group's manufacture and engineering businesses excluding share of post-tax loss of associates, finance costs, taxation and material impairment provision which are of capital nature or non-operational related.

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.

3 Accounting estimates and judgements *(Continued)*

(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, property, plant and equipment, construction in progress, intangible assets, right-of-use assets and lease prepayments (see note 2(p)) 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) Project engineering contracts

As explained in notes 2(r) and 2(aa) 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.

(d) Warranty provisions

As explained in note 33, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect the income statement in future years.

(e) Fair value estimates on acquisition of subsidiaries

As explained in note 2(f), the initial accounting on the acquisition of subsidiaries involves identifying and determining the fair value of the consideration and the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entities will impact the carrying amounts of goodwill or negative goodwill to be recognised in income statement and the identifiable assets and liabilities.

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.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 31 December 2018 on a recurring basis:

	At 31 December 2019 Level 2 RMB'000	At 31 December 2018 Level 2 RMB'000
Financial assets		
– FVPL – foreign currency forwards	**3,210**	1,749
Financial liabilities		
– FVPL – foreign currency forwards	**876**	3,515

As at 31 December 2019, the Group's financial instruments measured at fair value through profit or loss ("FVPL") were derivative financial instruments arising from forward exchange contracts which were classified as level 2. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

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. The fair value of these forward foreign exchange contracts is determined using forward exchange rates at the balance sheet day.

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

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2019:

	Contingent consideration RMB'000
Opening balance – 31 December 2018	–
Acquisition through business combination (note 46)	48,000
Gain recognised in "Other income, net" (i)	(48,000)
Closing balance – 31 December 2019	–

(i) Contingent consideration payables

As disclosed in note 46(c), the fair value of the contingent consideration arrangement of RMB48,000,000 was estimated based on the value of probable future cash outflow without discount, because the payment will occur in one year.

However, the qualified natural gas exploitation license has not been successfully acquired before 31 December 2019. The gain from change of estimation for contingent consideration payable is thus recognised in "Other income, net".

5 Financial risk management and fair values

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, customers' repayment history and financial position and an assessment of both the current and forecast general economic environment.

(ii) Impairment of financial assets

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

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

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.

5 Financial risk management and fair values *(Continued)*

(a) Credit risk *(Continued)*

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

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 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 the Group considered that the expected loss rates for contract assets are not significant.

Trade receivables are categorised as follows for assessment purpose:

- Individual — Receivables with pending lawsuits
- Group 1 — Receivables with bank acceptance notes
- Group 2 — Other trade receivables

As at 31 December 2019 and 2018, the cost and loss allowance of trade receivables in these categories are as follows:

	31 December 2019		31 December 2018	
	Cost RMB'000	**Loss allowance RMB'000**	Cost RMB'000	Loss allowance RMB'000
Individual	**161,259**	**(107,320)**	202,008	(120,881)
Group 1	**314,125**	**–**	225,300	–
Group 2	**2,556,560**	**(208,796)**	2,851,914	(146,608)
Total	**3,031,944**	**(316,116)**	3,279,222	(267,489)

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

For bank acceptance notes and other trade receivables, the expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 2018 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 Group has assessed that the expected credit losses of Group 1 are not significant in 2019.

5 Financial risk management and fair values *(Continued)*

(a) Credit risk *(Continued)*

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

Trade receivables and contract assets *(Continued)*

The loss allowance of Group 2 as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

31 December 2019	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	0.75%	3.69%	5.89%	31.17%	47.27%	72.14%	100.00%	
Gross carrying amount								
– trade receivables	1,631,666	386,282	243,930	122,565	33,834	88,351	49,932	2,556,560
Loss allowance	12,307	14,260	14,367	38,199	15,995	63,736	49,932	208,796

31 December 2018	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	0.71%	3.08%	5.33%	17.80%	30.42%	50.33%	100.00%	
Gross carrying amount								
– trade receivables	1,675,359	686,417	186,175	137,953	74,585	70,448	20,977	2,851,914
Loss allowance	11,886	21,112	9,932	24,558	22,687	35,456	20,977	146,608

Other receivable, including amounts due from related parties

As at 31 December 2019, the Group has assessed that the other receivables from related and third parties are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for other receivables 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, apart from the case described below, other receivables from related parties are considered to be low credit risk considering the good financial position and credit history of the related parties. During 2019, Lihua Energy Storage and Transportation Co., Ltd., an associate of China International Marine Containers (Group) Co., Ltd. ("CIMC"), had liquidity risk and declared insolvency. Thus, a loss allowance of RMB7,356,000 for the receivable therefrom is made.

5 Financial risk management and fair values *(Continued)*

(a) Credit risk *(Continued)*

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

Other receivable, including amounts due from related parties *(Continued)*

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

	Other receivables from third parties RMB'000	Other receivables from related parties RMB'000
Opening loss allowance as at 1 January 2018 and 31 December 2018	29,108	–
Increase in the allowance recognised in profit or loss during the period	13	7,356
Reversal	(108)	–
Receivables written off during the year as uncollectible	(140)	–
Closing loss allowance as at 31 December 2019	28,873	7,356

Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	Trade receivables	
	2019 RMB'000	2018 RMB'000
At 31 December – Opening loss allowance	**267,489**	265,783
Increase in loss allowance recognised in profit or loss during the year	**96,467**	35,039
Reversal	**(32,159)**	(24,361)
Receivables written off during the year as uncollectible	**(15,834)**	(9,652)
Exchange adjustment	**153**	680
At 31 December	**316,116**	267,489

Impairment losses on trade receivables 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 and fair values *(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 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:

	2019 Contractual undiscounted cash flow					2018 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	Total RMB'000	Carrying amount RMB'000
Bank loans	289,501	562,049	–	851,550	808,099	507,017	729,416	1,236,433	1,164,107
Bills payables, creditors and accrued expenses	3,446,757	–	–	3,446,757	3,446,757	3,869,516	–	3,869,516	3,869,516
Other borrowings	24,287	40,697	–	64,984	60,041	8,760	24,471	33,231	31,398
Amounts due to related parties	275,794	5,337	–	281,131	270,602	187,076	–	187,076	186,699
Lease liabilities	9,930	20,918	10,999	41,847	35,622	–	–	–	–
	4,046,269	629,001	10,999	4,686,269	4,621,121	4,572,369	753,887	5,326,256	5,251,720

5 Financial risk management and fair values *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank deposits and bank loans. Floating rate bank deposits and bank loans at variable rates expose the Group to cash flow interest rate risk. 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 floating rate bank deposits and bank loans at variable rates at the balance sheet date.

	2019		2018	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Floating rate bank deposits	**0.44%**	**2,534,526**	0.68%	2,856,926
Bank loans	**3.44%**	**(807,399)**	3.73%	(854,107)

(ii) Sensitivity analysis

At 31 December 2019, 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 RMB6,477,000 (2018: RMB7,511,000). 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 and bank loans 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. The analysis is performed on the same basis for 2018.

5 Financial risk management and fair values *(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 almost did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

(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 and fair values *(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 2019			
	USD RMB'000	**HKD RMB'000**	**EUR RMB'000**	**GBP RMB'000**
Trade and bills receivables	**269,067**	**–**	**53,995**	**63,886**
Deposits and other receivables	**44,614**	**–**	**23,971**	**24**
Cash and cash equivalents	**764,002**	**5,888**	**39,642**	**46,489**
Restricted cash	**27,931**	**–**	**–**	**–**
Trade and bills payables	**(95,153)**	**–**	**(35,833)**	**(40,492)**
Other payables and accrued expenses	**(78,174)**	**(47,476)**	**(50,136)**	**(4)**
Overall net exposure	**932,287**	**(41,588)**	**31,639**	**69,903**

	Exposure to foreign currencies 2018			
	USD RMB'000	HKD RMB'000	EUR RMB'000	GBP RMB'000
Trade and bills receivables	452,951	–	76,225	–
Deposits and other receivables	5,908	–	–	–
Cash and cash equivalents	486,375	3,063	323,718	47,559
Restricted cash	48,993	–	23,089	–
Trade and bills payables	(89,054)	–	(7,118)	(24,815)
Other payables and accrued expenses	(38,767)	–	(4,777)	–
Bank loans	(102,948)	–	–	–
Overall net exposure	763,458	3,063	411,137	22,744

5 Financial risk management and fair values *(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.

The Group

	2019		2018	
	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%	34,961	5%	28,630
	(5%)	(34,961)	(5%)	(28,630)
HKD	5%	(1,560)	5%	115
	(5%)	1,560	(5%)	(115)
EUR	5%	1,186	5%	15,418
	(5%)	(1,186)	(5%)	(15,418)
GBP	5%	2,621	5%	853
	(5%)	(2,621)	(5%)	(853)

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 2018.

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:

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

7 Other revenue and other income, net

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

(i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government, and the recognition of deferred government grants as set out in note 37.

(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)*

	2019 RMB'000	2018 RMB'000
Other income, net		
Write-back of payables and advances from customers (i)	**84,699**	60,189
Foreign exchange gain	**4,302**	38,990
Gain on derecognition of contingent consideration payable from business combination (note 46)	**48,000**	–
Write-off of intangible assets from business combination (note 46)	**(48,460)**	–
Net loss on disposal of property, plant and equipment and investment property	**(5,371)**	(1,143)
Other net loss	**(801)**	(7,841)
	82,369	90,195

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

8 Profit before taxation

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

(a) Finance costs

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

8 Profit before taxation *(Continued)*

(b) Staff costs

	2019 RMB'000	2018 RMB'000
Salaries, wages and allowances	**1,594,658**	1,593,282
Contributions to retirement schemes (note 40)	**79,733**	70,877
Equity-settled share-based payment expenses for share option scheme	**–**	3,183
Equity-settled share-based payment expenses for Restricted Share Award Scheme	**36,669**	26,777
	1,711,060	1,694,119

(c) Other items

	2019 RMB'000	2018 RMB'000
Cost of inventories (i) (note 24)	**7,339,229**	7,263,356
Auditors' remuneration		
– Audit services	**6,765**	6,095
– Non-audit services	**1,287**	1,076
Depreciation of property, plant and equipment (i) (note 15)	**251,058**	230,089
Depreciation of right-of-use assets (i) (note 17)	**8,335**	–
Amortisation of intangible assets (note 19)	**33,525**	34,950
Amortisation of lease prepayments (note 18)	**14,944**	14,427
Impairment of goodwill (note 23)	**15,000**	17,087
Write-down of inventories (note 24)	**12,635**	65,473
Reversal of write-down of inventories (note 24)	**(17,510)**	(6,622)
Research and development costs	**310,595**	221,049
Operating lease charges for property rental	**25,421**	55,611
Provision for product warranties (note 33)	**64,403**	88,172
Reversal of provision for product warranties (note 33)	**(128,953)**	(28,682)

(i) Cost of inventories includes RMB594,320,000 (2018: RMB578,845,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above.

8 Profit before taxation *(Continued)*

(d) Net impairment loss on financial assets

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

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

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

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years.

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

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

(a) Taxation in the consolidated income statement represents: *(Continued)*

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

Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany, United Kingdom and Singapore are charged at the prevailing rates of 25%, 29%, 22%, 30%, 19% and 17% respectively in the relevant countries and are calculated on a stand-alone basis.

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

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

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

10 Directors' remuneration

Details of Directors' remuneration for the year ended 31 December 2019 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based Payments (i) RMB'000	Total RMB'000
Executive Directors:							
Gao Xiang	–	119	–	–	119	819	938
Yang Xiaohu	–	1,110	34	1,583	2,727	983	3,710
Non-executive Directors:							
Yu Yuqun	158	–	–	–	158	328	486
Wang Yu	158	–	–	–	158	328	486
Zeng Han	158	–	–	–	158	328	486
Independent Non-Executive Directors:							
Zhang Xueqian	194	–	–	–	194	–	194
Tsui Kei Pang	194	–	–	–	194	–	194
Wang Caiyong	194	–	–	–	194	–	194
Yien Yu Yu, Catherine	194	–	–	–	194	–	194
	1,250	1,229	34	1,583	4,096	2,786	6,882

10 Directors' remuneration *(Continued)*

Details of Directors' remuneration for the year ended 31 December 2018 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based Payments (i) RMB'000	Total RMB'000
Executive Directors:							
Gao Xiang	–	–	–	1,833	1,833	428	2,261
Yang Xiaohu	–	1,001	37	180	1,218	752	1,970
Non-executive Directors:							
Jin Yongsheng	140	–	–	–	140	40	180
Jin Jianlong	–	–	–	–	–	40	40
Yu Yuqun	152	–	–	–	152	274	426
Wang Yu	152	–	–	–	152	233	385
Zeng Han	96	–	–	–	96	233	329
Independent Non-Executive Directors:							
Zhang Xueqian	186	–	–	–	186	40	226
Tsui Kei Pang	186	–	–	–	186	40	226
Wong Chun Ho	147	–	–	–	147	40	187
Wang Caiyong	47	–	–	–	47	–	47
Yien Yu Yu, Catherine	39	–	–	–	39	–	39
	1,145	1,001	37	2,013	4,196	2,120	6,316

(i) These represent the estimated value of share options and restricted share award granted to the Directors under the Company's share option scheme and Restricted Share Award Scheme. The value of these share options and restricted share award are measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(x)(ii).

The details of the benefits in kind, including the principal terms and number of options and restricted share award granted, are disclosed under the section headed "Share Options" and "Restricted Share Award Scheme" in the Directors' Report and note 35.

11 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2018: five) individuals with the highest emoluments, including one of the Directors (2018: one), are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	7,366	7,110
Bonuses	4,146	20,901
Share-based payments	2,867	1,727
Retirement scheme contributions	295	710
	14,674	30,448

The emoluments of the five (2018: five) individuals with the highest emoluments, including one of the Directors (2018: one), are within the following bands:

	2019 Number of Individuals	2018 Number of Individuals
HKD2,500,001 – HKD3,000,000	2	1
HKD3,000,001 – HKD3,500,000	2	–
HKD4,000,001 – HKD4,500,000	1	1
HKD6,500,001 – HKD7,000,000	–	1
HKD10,000,001 – HKD10,500,000	–	2

12 Dividends

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

A final dividend in respect of the year ended 31 December 2019 of HKD0.20 (equivalent to approximately RMB0.18) per share has been proposed by the Directors. The proposed final dividend in respect of 2019 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

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:

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

	2019	2018
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,964,279,967**	1,947,564,735
Effect of dilutive potential ordinary shares in respect of the Company's share option and restricted award shares (note 35)	**18,937,893**	23,669,201
Weighted average number of shares for the purpose of diluted earnings per share	**1,983,217,860**	1,971,233,936

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.

14 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities

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

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

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

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

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

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

14 Segment reporting *(Continued)*

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

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

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

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

14 Segment reporting *(Continued)*

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

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

(c) Geographic information

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

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

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

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:

	2019 RMB'000	2018 RMB'000
Contract assets	**919,042**	787,547
Contract liabilities – Products	**1,657,559**	1,464,091
Contract liabilities – Project engineering contracts	**1,213,130**	1,486,036
Total contract liabilities	**2,870,689**	2,950,127

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has made significant progress in engineering projects and has not billed to customers at the end of 2019.

Contract liabilities have slightly decreased as the Group has delivered several large-scale projects and recognised revenue in that regard.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Products	**1,177,928**	930,343
– Project engineering contracts	**1,340,641**	729,320

15 Property, plant and equipment

	Buildings RMB'000	Leasehold improve-ments RMB'000	Pipelines RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:							
At 1 January 2018	2,187,410	306	–	1,585,741	145,624	259,554	4,178,635
Additions	48,577	–	–	64,928	8,869	17,611	139,985
Disposals	(14,380)	–	–	(47,376)	(6,316)	(2,535)	(70,607)
Transfers from construction in progress (note 16)	33,620	–	–	78,964	4,958	10,259	127,801
Exchange adjustment	1,844	6	–	1,589	188	470	4,097
At 31 December 2018	2,257,071	312	–	1,683,846	153,323	285,359	4,379,911
At 1 January 2019	**2,257,071**	**312**	**–**	**1,683,846**	**153,323**	**285,359**	**4,379,911**
Additions	**8,684**	**–**	**–**	**96,790**	**6,523**	**18,304**	**130,301**
Acquisition through business combinations (note 46)	**164,454**	**–**	**161,296**	**102,351**	**157**	**507**	**428,765**
Transfers from construction in progress (note 16)	**23,339**	**–**	**–**	**66,021**	**2,769**	**6,629**	**98,758**
Disposals	**(131,854)**	**–**	**–**	**(71,500)**	**(9,132)**	**(16,263)**	**(228,749)**
Exchange adjustment	**(982)**	**8**	**–**	**(710)**	**(622)**	**(334)**	**(2,640)**
At 31 December 2019	**2,320,712**	**320**	**161,296**	**1,876,798**	**153,018**	**294,202**	**4,806,346**
Accumulated depreciation:							
At 1 January 2018	(454,208)	(191)	–	(870,018)	(67,790)	(196,099)	(1,588,306)
Charge for the year	(83,707)	(111)	–	(109,283)	(17,061)	(19,927)	(230,089)
Written back on disposals	12,286	–	–	35,947	5,433	2,424	56,090
Exchange adjustment	(530)	(5)	–	(1,433)	(128)	(426)	(2,522)
At 31 December 2018	(526,159)	(307)	–	(944,787)	(79,546)	(214,028)	(1,764,827)
At 1 January 2019	**(526,159)**	**(307)**	**–**	**(944,787)**	**(79,546)**	**(214,028)**	**(1,764,827)**
Charge for the year	**(90,321)**	**(5)**	**(4,033)**	**(121,770)**	**(12,373)**	**(22,556)**	**(251,058)**
Written back on disposals	**96,337**	**–**	**–**	**55,224**	**7,838**	**15,200**	**174,599**
Exchange adjustment	**712**	**(8)**	**–**	**780**	**56**	**55**	**1,595**
At 31 December 2019	**(519,431)**	**(320)**	**(4,033)**	**(1,010,553)**	**(84,025)**	**(221,329)**	**(1,839,691)**
Net book value:							
At 31 December 2019	**1,801,281**	**–**	**157,263**	**866,245**	**68,993**	**72,873**	**2,966,655**
At 31 December 2018	1,730,912	5	–	739,059	73,777	71,331	2,615,084

As at 31 December 2019, the Group was in the process of registering the title of buildings with net book value of RMB115,020,000 (2018: RMB133,199,000).

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:

	2019 RMB'000	2018 RMB'000
Cost of sales	**216,205**	199,472
Selling expenses	**2,170**	1,497
Administrative expenses	**32,683**	29,120
	251,058	230,089

16 Construction in progress

	2019 RMB'000	2018 RMB'000
At 1 January	**148,938**	129,917
Additions	**298,827**	146,726
Acquisition through business combination (note 46)	**76,583**	–
Transfers to property, plant and equipment	**(98,758)**	(127,801)
Transfers to intangible assets	**(372)**	–
Exchange adjustment	**(73)**	96
At 31 December	**425,145**	148,938

17 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Buildings	**33,162**	15,361
Others	**556**	1,048
	33,718	16,409

17 Leases *(Continued)*

(i) Amounts recognised in the consolidated balance sheet *(Continued)*

	2019 RMB'000	1 January 2019 RMB'000
Lease liabilities		
Current	8,496	4,734
Non-current	27,126	9,915
	35,622	14,649

Right-of-use assets also include lease prepayments which is disclosed separately in note 18. Additions to the right-of-use assets during the 2019 financial year were RMB25,623,000.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2019 RMB'000
Depreciation charge of right-of-use assets	
Buildings	(7,842)
Others	(493)
	(8,335)
Interest expense (included in finance cost)	(1,609)
Expense relating to short-term leases (included in cost of goods sold and administrative expense)	(23,650)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expense)	(1,771)

The total cash outflow for leases in 2019 was RMB31,738,000.

(iii) The Group's leasing activities and how these are accounted for

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 Lease prepayments

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**682,602**	599,597
Acquisition through business combination (note 46)	**19,073**	–
Additions	**77,399**	83,005
Disposal	**(83,110)**	–
At 31 December	**695,964**	682,602
Accumulated amortisation:		
At 1 January	**(105,061)**	(90,634)
Charge for the year	**(14,944)**	(14,427)
Written back on disposal	**2,192**	–
At 31 December	**(117,813)**	(105,061)
Net book value:		
At 31 December	**578,151**	577,541

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 28 to 50 years as at 31 December 2019 (2018: 29 to 47 years).

19 Intangible assets

	Technical know-how RMB'000	Trade-name RMB'000	Trademarks RMB'000	Software RMB'000	Customer relationship RMB'000	Right of operation RMB'000	Qualified natural gas exploitation license RMB'000	Total RMB'000
Cost:								
At 1 January 2018	286,100	74,612	240	18,670	47,000	–	–	426,622
Additions	8,649	–	–	497	–	–	–	9,146
Exchange adjustment	675	430	1	51	–	–	–	1,157
At 31 December 2018	295,424	75,042	241	19,218	47,000	–	–	436,925
At 1 January 2019	**295,424**	**75,042**	**241**	**19,218**	**47,000**	**–**	**–**	**436,925**
Acquisition through business combination (note 46)	**–**	**–**	**–**	**–**	**–**	**21,000**	**48,460**	**69,460**
Additions	**4,752**	**–**	**–**	**1,548**	**–**	**–**	**–**	**6,300**
Transfers from construction in progress (note 16)	**–**	**–**	**–**	**372**	**–**	**–**	**–**	**372**
Written off (note 46)	**–**	**–**	**–**	**–**	**–**	**–**	**(48,460)**	**(48,460)**
Exchange adjustment	**1,071**	**(304)**	**(1)**	**(91)**	**–**	**–**	**–**	**675**
At 31 December 2019	**301,247**	**74,738**	**240**	**21,047**	**47,000**	**21,000**	**–**	**465,272**
Accumulated amortisation:								
At 1 January 2018	(153,072)	(18,974)	(137)	(6,020)	(18,283)	–	–	(196,486)
Charge for the year	(24,535)	(1,849)	(42)	(824)	(7,700)	–	–	(34,950)
Exchange adjustment	(353)	(118)	(1)	(41)	–	–	–	(513)
At 31 December 2018	(177,960)	(20,941)	(180)	(6,885)	(25,983)	–	–	(231,949)
At 1 January 2019	**(177,960)**	**(20,941)**	**(180)**	**(6,885)**	**(25,983)**	**–**	**–**	**(231,949)**
Charge for the year	**(22,034)**	**(1,829)**	**(39)**	**(1,238)**	**(7,700)**	**(685)**	**–**	**(33,525)**
Exchange adjustment	**202**	**64**	**–**	**88**	**–**	**–**	**–**	**354**
At 31 December 2019	**(199,792)**	**(22,706)**	**(219)**	**(8,035)**	**(33,683)**	**(685)**	**–**	**(265,120)**
Net book value:								
At 31 December 2019	**101,455**	**52,032**	**21**	**13,012**	**13,317**	**20,315**	**–**	**200,152**
At 31 December 2018	117,464	54,101	61	12,333	21,017	–	–	204,976

The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

20 Investments in associates and equity investments

The movement of the investments in associates and equity investments during the year is as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**131,400**	5,755
Additions	**23,275**	129,739
Dividend distribution	**(2,664)**	–
Share of post-tax profit/(loss) of associates	**9,371**	(4,094)
Share of other comprehensive income of associates	**48**	–
At 31 December	**161,430**	131,400

Nature of investments in associates and equity investments as at 31 December 2019

Name of entity	Place and date of establishment/ incorporation	Authorised/ registered/paid-in capital	Proportion of ownership interest
Jiuquan Enric Kunlun Cryogenic Equipment Limited	PRC 15 August 2013	Registered and paid-in capital of RMB10,000,000	40%
Shanghai Tanklink Technology Development Co., Ltd.	PRC 12 March 2014	Registered and paid-in capital of RMB7,500,000	20%
CIMC Finance Company Ltd. ("CIMC Finance")	PRC 9 February 2010	Registered and paid-in capital of RMB920,000,000	7.01%*
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.	PRC 22 March 2016	Registered and paid-in capital of RMB200,000,000	10%*
Shenzhen CIMC Huijie Supply Chain Co., Ltd.	PRC 13 July 2018	Registered and paid-in capital of RMB100,000,000	10%*
Guizhou Yinke Environmental Resources Co., Ltd.	PRC 17 January 2017	Registered and paid-in capital of RMB53,570,000 and RMB35,250,000 respectively	26.4%
Yichuan Tianyun Clean Energy Co., Ltd.	PRC 3 January 2019	Registered and paid-in capital of RMB20,000,000	38.7%

* The Group holds less than 20% ownership interest in these entities, however, the Group has significant influence over these entities as the Group has the right to appoint director(s) to the board of these entities.

21 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 and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Enric Investment Group Limited	British Virgin Islands 1 May 2002	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Enric (Bengbu) Compressor Company Limited	PRC 14 March 2002	Registered and paid-in capital of HKD60,808,385	–	100%	Manufacture and sale of compressors and related accessories
Enric Anhui Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Shijiazhuang Investment Limited	British Virgin Islands 29 April 2002	Authorised capital of USD50,000 and paid-in capital of USD1,000	100%	–	Investment holding
Shijiazhuang Enric Gas Equipment Company Limited	PRC 30 September 2003	Registered and paid-in capital of USD32,000,000	–	100%	Manufacture and sale of pressure vessels
Enric Langfang Investment Limited	British Virgin Islands 14 September 2004	Authorised capital of USD50,000 and paid-in capital of USD1	–	100%	Investment holding
Enric Integration (HK) Company Limited	Hong Kong 15 October 2007	Paid-in capital of HKD1	–	100%	Investment holding
CIMC Enric Hong Kong Limited	Hong Kong 15 October 2007	Paid-in capital of HKD1	100%	–	Investment holding
Enric (Langfang) Energy Equipment Integration Company Limited	PRC 28 December 2004	Registered and paid-in capital of HKD115,000,000	–	100%	Provision of integrated business solutions for gas equipment
Beijing Enric Energy Technologies Limited	PRC 16 December 2005	Registered and paid-in capital of HKD40,000,000	–	100%	Research and development of technology for application in natural gas equipment

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Jingmen")	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu") (i)	PRC 29 October 2004	Registered and paid-in capital of RMB100,000,000	–	90%	Manufacture and sale of specialised transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited ("Greenergy") (i)	PRC 2 November 2009	Registered and paid-in capital of RMB500,000	–	90%	Investment holding
Sound Winner Holdings Limited	British Virgin Islands 11 December 2007	Authorised capital of USD50,000 and paid-in capital of USD10,000	100%	–	Investment holding
Perfect Vision International Limited	British Virgin Islands 21 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	100%	–	Investment holding
Win Score Investments Limited	Hong Kong 29 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Nantong CIMC Tank Equipment Co., Ltd. ("Nantong Tank")	PRC 14 August 2003	Registered and paid-in capital of USD35,000,000	–	100%	Production and sales of tank containers

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("Sanctum")	PRC 7 December 1999	Registered capital of RMB795,532,042 and paid-in capital of RMB364,862,042	–	100%	Design, production, sales and technical service of cryogenic storage and transportation equipment
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd. ("Sanctum Special Equipment")	PRC 28 April 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Manufacture and sale of pressure vessel
CIMC Enric Investment Limited (previously known as Full Medal Limited)	British Virgin Islands 8 August 2008	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Coöperatie Vela Holding U.A.	The Netherlands 29 August 2008	Member capital and paid-in capital of EUR18,000	–	100%	Investment holding
CIMC Enric Tank and Process B.V.	The Netherlands 16 July 1976	Authorised capital of EUR20,000,000 and paid-in capital of EUR14,038,200	–	100%	Investment holding
Ziemann Holvrieka B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacture of tanks
Ziemann Holvrieka International B.V.	The Netherlands 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	100%	Sales, engineering and manufacture of tanks
Ziemann Holvrieka N.V.	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574.10	–	100%	Sales, engineering and manufacture of tanks

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Ziemann Holvrieka A/S	Denmark 2 March 1978	Registered and paid-in capital of DKK1,000,001	–	100%	Sales, engineering and manufacture of tanks
Enric Gas Equipment Yangzhou Company Limited	PRC 3 October 2010	Registered and paid-in capital of RMB12,000,000	–	100%	Repair and maintenance of pressure vessels
CIMC Enric Investment Holdings (Shenzhen) Limited ("EIHL")	PRC 10 December 2010	Registered capital of USD80,000,000 and paid-in capital of USD48,160,000	–	100%	Investment holding
Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI")	PRC 15 September 2001	Registered and paid-in capital of RMB88,000,000	–	100%	Provision of project engineering services
Nantong CIMC Energy Equipment Co., Ltd. ("Nantong Energy")	PRC 20 March 2007	Registered and paid-in capital of RMB69,945,000	–	100%	Manufacture and sales of special vehicles
Ziemann Holvrieka GmbH	Germany 18 June 2010	Authorised and paid-in capital of EUR16,000,000	–	100%	Sales, engineering and manufacturing of tanks
CIMC Enric SJZ Gas Equipment, INC.	United States of America 14 February 2013	Registered and paid-in capital of USD900,000	–	100%	Manufacture and sale of pressure vessels
Enric Management Limited	British Virgin Islands 30 May 2014	Authorised capital of 50,000 no par value shares and paid-in capital of RMB20,000	100%	–	Investment holding
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC 11 September 2014	Registered capital of RMB20,000,000 and paid-in capital of RMB10,000,000	–	100%	Manufacture and sale of pressure vessels

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Ziemann Holvrieka Asia Co., Ltd.	PRC 20 December 2007	Registered and paid-in capital of USD47,700,000	–	100%	Manufacture and sale of tanks
Sichuan Jinke Cryogenic Engineering Co., Ltd. ("Jinke") (i)	PRC 6 August 2009	Registered capital of RMB14,000,000 and paid-in capital of RMB7,000,000	–	77.5%	Provision of integrated business solutions for gas equipment
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. ("Hashenleng") (i)	PRC 26 January 2010	Registered capital and paid-in capital of RMB50,000,000	–	60%	Provision of integrated business solutions for gas equipment
Briggs Group Limited ("Briggs")	United Kingdom 21 February 2008	Paid-in capital of GBP50,001	–	100%	Investment holding
Briggs Holdings Limited	United Kingdom 21 April 1994	Paid-in capital of GBP787,525	–	100%	Investment holding
Briggs of Burton PLC	United Kingdom 27 November 1986	Paid-in capital of GBP142,397	–	100%	Process engineering
CIMC Enric Energy Engineering (S) Pte. Ltd. ("CEE")	Singapore 26 November 2014	Paid-in capital of SNG4,750,000	–	100%	Engineering and manufacture services for the oil and gas industry
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. ("SOE")	PRC 17 November 2006	Registered capital and paid-in capital of RMB1,425,076,838	–	100%	Design and manufacture of liquified gas carriers and marine oil and gas module
Anjiehui Internet of Things Information Technology (Suzhou) Co., Ltd.	PRC 2 June 2017	Registered and paid-in capital of RMB3,000,000 and RMB1,500,000 respectively	–	100%	Information technology

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Shanghai CIMC TZ Clean Energy Co., Ltd. ("ESH") (i)	PRC 9 February 2018	Registered and paid-in capital of RMB30,000,000	–	90%	Clean energy technology
CIMC Nantong Port Development Co., Ltd ("NYX", formerly known as Nantong Yongxin Logistics Co., Ltd.) (i)	PRC 7 July 2018	Registered and paid-in capital of RMB4,285,710	–	70%	Terminal and depot services
CIMC Eco Building Technology Co., Ltd. ("GCT") (i)	PRC 13 April 2018	Registered and paid-in capital of RMB60,000,000 and RMB56,650,000 respectively	–	70%	Processing of non-metallic scrap
CIMC Eco Building Technology (Lian Yun Gang) Co., Ltd. ("LYG") (i)	PRC 20 August 2018	Registered and paid-in capital of RMB35,000,000	–	80%	Comprehensive utilisation of ore
CIMC Environmental Technology Co., Ltd. ("ENV") (i)	PRC 12 November 2018	Registered and paid-in capital of RMB60,000,000	–	85.71%	Environmental related technology research and equipment manufacturing
CIMC Energy Equipment Service (Jiangsu) Co., Ltd. ("EFW") (i)	PRC 11 December 2018	Registered and paid-in capital of RMB15,000,000	–	70%	Detection and maintenance of gas cylinders for natural gas vehicles

21 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Jiaxing Tank Service Co., Ltd. ("EBG") (i)	PRC 20 March 2019	Registered and paid-in capital of RMB10,000,000	–	40%	Provision of after-sales service for tank containers
Ningxia Changming Natural Gas Development Ltd. ("Ningxia Changming") (i)	PRC 31 March 2019	Registered and paid-in capital of RMB223,625,000 and RMB208,000,000 respectively	–	67.53%	Liquefaction of natural gas
CIMC (Yunnan) Renewable Resources Co., Ltd. ("EYN") (i)	PRC 25 April 2019	Registered and paid-in capital of RMB17,540,000	–	48.86%	Collection, process and sale of renewable resources
Shanxi Tianhao Clean Energy Co., Ltd. ("ESX") (i)	PRC 25 April 2019	Registered and paid-in capital of RMB60,000,000	–	45%	Liquefaction of natural gas and coalbed gas
CIMC Enric Tank and Process Ltd.	Canada 5 Feb 2019	Registered and paid-in capital of CAD2,100,000	–	100%	Investment holding
DME Process Systems Ltd.	Canada 5 Feb 2019	Registered and paid-in capital of CAD1,210,000	–	100%	Design, manufacture and sale of craft brewery equipment

(i) The Group's effective interests in Hongtu, Greenergy, Jinke, Hashenleng, ESH, NYX, GCT, LYG, ENV, EFW, EBG, Ningxia Changming, EYN, and ESX are 90%, 90%, 77.5%, 60%, 90%, 70%, 70%, 80%, 85.71%, 70%, 40%, 67.53%, 48.86%, and 45% respectively.

22 Prepayment for acquisition of equity interests

	2019 RMB'000	2018 RMB'000
Prepayment for acquisition of equity interests	**50,000**	50,000

On 19 April 2018, EIHL, CIMC Financial Leasing (Hong Kong) Limited, CIMC Container Holding Co., Ltd. and Tianjin Jishun Machine Equipment Leasing Ltd. entered into an agreement to inject capital into CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. ("CIMC Qianhai"). Pursuant to the agreement, EIHL agreed to contribute RMB100,000,000 in cash to CIMC Qianhai in respect of the capital injection.

23 Goodwill

	2019 RMB'000	2018 RMB'000
Cost		
At 1 January	**311,936**	311,926
Acquisition through business combination (note 46)	**6,781**	–
Exchange adjustment	**3,332**	10
At 31 December	**322,049**	311,936
Less: Impairment provision (b)	**(70,087)**	(55,087)
Net Goodwill	**251,962**	256,849

23 Goodwill *(Continued)*

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") as follows:

	2019 RMB'000	2018 RMB'000
Sanctum	**8,297**	8,297
Nantong Tank	**7,265**	7,265
Hongtu	**27,221**	27,221
YPDI	**86,558**	86,558
Hashenleng (b)	**33,443**	48,443
Briggs	**82,397**	79,065
Ningxia Changming (note 46)	**6,781**	–
At 31 December	**251,962**	256,849

For the significant amount of goodwill allocated to the CGU relating to YPDI, Hashenleng and Briggs, the key assumptions and discount rate used in the value-in-use calculations in 2019 and 2018 are as follows.

	YPDI		Hashenleng		Briggs	
	2019	2018	**2019**	2018	**2019**	2018
Revenue (average annual growth rate)	**5%**	12%	**7%**	15%	**5%**	2%
Gross margin (% of revenue)	**15%**	10%	**31%**	19%	**9%**	27%
Other operating costs (RMB'000)	**52,404**	36,468	**33,238**	29,144	**39,009**	38,433
Pre-tax discount rate	**16.08%**	14.67%	**14.40%**	12.94%	**14.45%**	14.44%

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 restructurings or cost saving measures. 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.

23 Goodwill *(Continued)*

(b) Impairment charge

The impairment charge of RMB15,000,000 recognised during the year solely relates to the CGU of Hashenleng according to its value-in-use calculation. This increased the CGU's goodwill impairment provision to RMB68,000,000 (31 December 2018: RMB53,000,000) and reduced the CGU's goodwill balance to RMB33,443,000 at 31 December 2019 (31 December 2018: RMB48,443,000). If the budgeted gross profit used in the value-in-use calculation for Hashenleng represents 95% of management's estimates for the year ended 31 December 2019, the Group would have recognised a further impairment of RMB29,120,000.

24 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2019 RMB'000	2018 RMB'000
Raw materials	**938,035**	1,005,536
Consignment materials	**96,540**	133,038
Work in progress	**1,568,133**	1,664,385
Finished goods	**1,073,611**	1,061,992
	3,676,319	3,864,951

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	2019 RMB'000	2018 RMB'000
Cost of inventories sold	**7,339,229**	7,263,356
Write-down of inventories	**12,635**	65,473
Reversal of write-down of inventories	**(17,510)**	(6,622)
	7,334,354	7,322,207

25 Trade and bills receivables

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

(a) Ageing analysis

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

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

Trade and bills receivables are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis. Further details on the Group's credit policy are set out in note 5(a)(ii).

(b) Fair values of trade receivables

The carrying amounts of the Group's notes and trade receivables as at 31 December 2019 and 31 December 2018 approximate their fair values.

(c) Impairment and risk exposure

The loss allowance increased by RMB48,627,000 from RMB267,489,000 as at 1 January 2019 to RMB316,116,000 as at 31 December 2019 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 is set out in note 5.

26 Deposits, other receivables and prepayments

	2019 RMB'000	2018 RMB'000
Advances to suppliers	**451,222**	276,235
Deductible input value-added tax and other refundable taxes	**218,140**	148,146
Deposits for tenders and contract work	**135,907**	116,912
Prepayments for service	**13,915**	14,767
Staff advances	**8,379**	8,126
Others	**56,546**	52,574
	884,109	616,760

27 Restricted bank deposits

	2019 RMB'000	2018 RMB'000
Deposits for banking facilities	**257,029**	364,971

28 Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash in hand and demand deposits	**2,534,752**	2,856,972
Restricted bank deposits within three months of maturity	**–**	73,299
	2,534,752	2,930,271

29 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.

	2019		2018	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts – held for trading	**3,210**	**876**	1,749	3,515

At 31 December 2019 and 2018, the Group held forward foreign currency contracts to manage the currency risk on expected future payments to suppliers for which the Group has firm commitments.

30 Bank loans

(a) At 31 December 2019, the bank loans were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**263,955**	477,787
After one year but within two years	**265,096**	–
After two years but within five years	**279,048**	686,320
	808,099	1,164,107

(b) At 31 December 2019, all the bank loans were unsecured. None of the Group's bank loans were under the terms of cross-guarantee provided by the subsidiaries of the Company (2018: none).

(c) The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**700**	310,000
USD	**771,568**	789,268
HKD	**35,831**	64,839
	808,099	1,164,107

(d) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. 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

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

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

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

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

32 Other payables and accrued expenses

	2019 RMB'000	2018 RMB'000
Accrued expenses	**517,510**	590,545
Employees' salary, bonus and welfare	**298,094**	318,653
Payables to SOE's creditors	**175,799**	216,839
Deposits received	**119,776**	114,265
Payables in relation to share award scheme (note 35)	**112,449**	144,977
Other taxes payable	**51,110**	48,454
Payables for construction work	**40,355**	29,734
Other surcharges payable	**15,107**	9,530
Others	**45,369**	52,318
	1,375,569	1,525,315

All other payables and accrued expenses are expected to be settled within one year.

33 Warranty provision

	2019 RMB'000	2018 RMB'000
At 1 January	**286,213**	266,365
Additional provision made	**64,403**	88,172
Reversal of provision	**(128,953)**	(28,682)
Provisions utilised	**(39,203)**	(40,672)
Exchange adjustment	**(665)**	1,030
At 31 December	**181,795**	286,213
Represented by:		
Current portion	**113,915**	199,902
Non-current portion	**67,880**	86,311
Balance at 31 December	**181,795**	286,213

The Group provides one to three year warranty period for certain products. Provision is made for the best estimate of the expected settlement within the warranty period under this arrangement 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 its financing transactions with the underlying assets as security. The borrowings are repayable by instalments within three to five years.

	2019 RMB'000	2018 RMB'000
Payments in relation to other borrowings as follows:		
Within one year	**24,287**	8,760
Later than one year but not later than two years	**24,596**	9,079
Later than two years but not later than three years	**16,101**	9,389
Later than three years	**–**	5,957
Total payments	**64,984**	33,185
Future finance charges	**(4,943)**	(1,787)
Total other borrowings	**60,041**	31,398
The present value of other borrowings is as follows:		
Within one year	**21,586**	8,305
Later than one year but not later than two years	**22,743**	8,524
Later than two years but not later than three years	**15,712**	8,744
Later than three years	**–**	5,825
Total other borrowings	**60,041**	31,398

35 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 31 December 2019, no option under Scheme II was 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 11 November 2009	6,100,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– 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 11 November 2009	37,650,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– 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	120,370,000		

35 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:

	2019		2018	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD7.23**	**66,550,000**	HKD6.88	76,374,000
Forfeited during the year	**–**	**–**	HKD11.24	(345,000)
Exercised during the year	**HKD3.89**	**(13,434,000)**	HKD3.12	(8,134,000)
Lapsed during the year	**HKD4.90**	**(2,660,000)**	HKD11.24	(1,345,000)
Outstanding at the end of the year	**HKD8.24**	**50,456,000**	HKD7.23	66,550,000
Exercisable at the end of the year		**50,456,000**		66,550,000

The options outstanding at 31 December 2019 had an exercise price of HKD2.48 and HKD11.24 (31 December 2018: HKD4.00, HKD2.48 and HKD11.24) and a weighted average remaining contractual life of 3.539 years (2018: 3.486 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	11 November 2009	28 October 2011	5 June 2014
Fair value at measurement date	HKD1.64	HKD1.02	HKD4.70
Share price	HKD4.00	HKD2.48	HKD11.00
Exercise price	HKD4.00	HKD2.48	HKD11.24
Expected volatility	64.78%	55.98%	45.89%
Option life	10 years	10 years	10 years
Expected dividends	0.68%	2.67%	1.55%
Risk-free interest rate	2.24%	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.

35 Equity-settled share-based transactions *(Continued)*

(b) 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, if the vesting conditions are fulfilled, the restricted shares shall be vested by 30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively.

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

	Number of awarded shares
Outstanding at the beginning of the year	46,212,500
Vested during the year	(13,758,750)
Outstanding as at 31 December 2019	32,453,750

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 during the year ended 31 December 2018 was HKD6.70 per share (equivalent to approximately RMB5.67 per share).

36 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet:

	2019 RMB'000	2018 RMB'000
Current tax payable at the beginning of the year	**26,196**	38,014
Provision for income tax on profit for the year	**170,837**	233,252
Current tax paid	**(146,023)**	(245,170)
Exchange adjustment	**216**	100
Current tax payable at the end of the year	**51,226**	26,196

(b) Deferred tax assets and liabilities recognised:

	2019 RMB'000	2018 RMB'000
Deferred tax assets recognised on the consolidated balance sheet	**113,963**	107,333
Deferred tax liabilities recognised on the consolidated balance sheet	**(199,639)**	(169,235)
Deferred tax liabilities (net)	**(85,676)**	(61,902)

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Provision for impairment losses RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Provision for product warranties RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Accrued expenses RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Tax losses RMB'000	Gains on debt restructuring RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	381,655	(57,744)	35,679	(1,833)	29,361	(73,616)	192,754	(568,686)	663	(61,767)
(Charged)/credited to the income statement	(144,804)	8,845	(25,733)	(985)	4,387	(18,958)	(55,468)	227,474	528	(4,714)
Adjustment on adaption HKFRS 9	2,701	–	–	–	–	–	–	–	–	2,701
Adjustment on adaption HKFRS 15	–	–	–	–	–	2,520	–	–	–	2,520
Exchange adjustment	–	(135)	–	–	–	(514)	–	–	7	(642)
At 31 December 2018	239,552	(49,034)	9,946	(2,818)	33,748	(90,568)	137,286	(341,212)	1,198	(61,902)
At 1 January 2019	**239,552**	**(49,034)**	**9,946**	**(2,818)**	**33,748**	**(90,568)**	**137,286**	**(341,212)**	**1,198**	**(61,902)**
(Charged)/credited to the income statement	**(104,521)**	**11,409**	**983**	**7,877**	**(1,922)**	**(19,974)**	**(21,407)**	**113,737**	**(157)**	**(13,975)**
Addition through business combination (note 46)	**–**	**(10,419)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,419)**
Adjustment on adaption HKFRS 16	**–**	**–**	**–**	**405**	**–**	**–**	**–**	**–**	**–**	**405**
Exchange adjustment	**–**	**69**	**–**	**–**	**–**	**180**	**–**	**–**	**(34)**	**215**
At 31 December 2019	**135,031**	**(47,975)**	**10,929**	**5,464**	**31,826**	**(110,362)**	**115,879**	**(227,475)**	**1,007**	**(85,676)**

36 Income tax in the consolidated balance sheet *(Continued)*

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,878,612,000 (2018: RMB1,784,145,000) 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 RMB45,120,000, RMB81,124,000, RMB1,570,016,000, RMB71,547,000 and RMB110,805,000 will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

37 Deferred income

	2019 RMB'000	2018 RMB'000
At 1 January	**248,646**	254,048
Additions	**762**	8,000
Acquisition through business combination (note 46)	**2,252**	–
Recognised in the income statement	**(15,802)**	(13,402)
At 31 December	**235,858**	248,646

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.

38 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.

39 Capital and reserves

(a) Share capital

	2019		2018	
	Number of shares	RMB'000	Number of shares	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	**2,010,432,588**	**18,371**	1,996,998,588	18,253

A summary of the above movements in issued share capital of the Company is as follows:

	2019		2018	
	Number of shares of HKD0.01 each	RMB'000	Number of shares of HKD0.01 each	RMB'000
At 1 January	**1,996,998,588**	**18,253**	1,942,652,088	17,793
Exercise of share options (note 35)	**13,434,000**	**118**	8,134,000	69
Restricted Share Award Scheme (note 35)	**–**	**–**	46,212,500	391
At 31 December	**2,010,432,588**	**18,371**	1,996,998,588	18,253

39 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 18 October 2005, the Company listed its shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 20 July 2006, the Company withdrew the listing of its shares on the GEM of the Stock Exchange and listed its entire issued share capital by way of introduction on the Main Board of the 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.

The Convertible Preference Shares are not listed on the Stock Exchange.

As at 31 December 2019 and 2018, no convertible preference shares of the Company were issued and outstanding.

39 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 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 Energy acquired of RMB69,945,550; and the aggregate cash consideration paid by the Group of RMB66,330,000 for the acquisition of Nantong Energy 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 RMB39,740,566 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 of 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 45).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements denominated in foreign currency to Renminbi.

39 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(v) 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 Belgian Law. The Belgian legal reserve is not distributable.

(vi) 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 2019, the Company had RMB5,267,057,000 available for distribution to equity shareholders of the Company (2018: RMB5,343,274,000).

(vii) 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.

39 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vii) Capital management *(Continued)*

Consistent with the Group's capital management strategy in 2018, 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	2019 RMB'000	2018 RMB'000
Total liabilities			
Bank loans	30	**808,099**	1,164,107
Loans from related parties	44(d)	**186,402**	35,000
Trade and bills payables	31	**2,420,392**	2,711,308
Contract liabilities	14(d)	**2,870,689**	2,950,127
Other payables and accrued expenses	32	**1,375,569**	1,525,315
Amounts due to related parties	44(c)	**84,200**	151,699
Other borrowings	34	**60,041**	31,398
Warranty provision	33	**181,795**	286,213
Lease liabilities	17	**35,622**	–
Total debt		**8,022,809**	8,855,167
Less: Cash and cash equivalents	28	**(2,534,752)**	(2,930,271)
Net debt		**5,488,057**	5,924,896
Total equity		**7,384,511**	6,545,794
Less: Proposed dividends	12	**(364,523)**	(239,650)
Adjusted capital		**7,019,988**	6,306,144
Net debt to adjusted capital ratio		**78%**	94%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 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.

41 Reconciliation of liabilities arising from financing activities

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 2018	(477,787)	(686,320)	(35,000)	(31,398)	–	(1,230,505)
Recognised on adoption of HKFRS 16 (note 2(d))	–	–	–	–	(14,649)	(14,649)
	(477,787)	(686,320)	(35,000)	(31,398)	(14,649)	(1,245,154)
Cash flows	605,196	19,146	(151,402)	13,824	6,317	493,081
Interest charge	–	–	–	(1,467)	(1,609)	(3,076)
Additions of leases (note 17)	–	–	–	–	(25,623)	(25,623)
Acquisition through business combination (note 46)	(252,177)	–	–	–	–	(252,177)
Transfer from other payables	–	–	–	(41,000)	–	(41,000)
Other non-cash movements	(139,524)	139,524	–	–	–	–
Other charges (i)	337	(16,494)	–	–	(58)	(16,215)
Net debt as at 31 December 2019	(263,955)	(544,144)	(186,402)	(60,041)	(35,622)	(1,090,164)

(i) Other charges include foreign exchange differences which are presented as non-cash adjustment in operating cash flow in the statement of cash flow.

42 Contingencies

(a) Contingencies related to litigation

EIHL received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court in December 2018, where SOEG PTE LTD ("SOEG") claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in SOE from SOEG in 2015.

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

The litigation has entered into judicial proceedings in September 2019 and no judgement has been handed down by the court up to the date of this report.

The Directors of the Company were of the view that no provision shall be necessary on the litigation claims as at 31 December 2019 after taking into account of the current status of the litigation and the opinion of independent legal counsels.

(b) Guarantee

The Group has provided guarantee to a third party customer in respect of the financing provided to that customer from other parties. As at 31 December 2019, the outstanding amount of guarantee provided was approximately RMB16,754,000 (31 December 2018: RMB27,890,000). The Directors of the Company have determined that no provision for the outstanding amount is required as the customer has no history of default and the guarantee provided represents a contingent liability.

(c) Performance guarantees

As at 31 December 2019, the Group had outstanding performance guarantees issued by relevant banks totalling RMB369,932,000 (31 December 2018: RMB1,093,141,000).

43 Commitments

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements are as follows:

	2019 RMB'000	2018 RMB'000
Contracted for		
– Production facilities	**97,062**	43,485
– Capital injection for equity investments (note 22)	**–**	50,000
	97,062	93,485

(b) At 31 December 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**1,055**	35,133
After one year but within five years	**3**	12,626
After five years	**–**	12,038
	1,058	59,797

The Group has already adopted HKFRS 16 from its mandatory adoption date of 1 January 2019 (note 2(d)). For the year ended 31 December 2019, the future minimum lease payments mainly include the short-term leases and low-value leases which are out of the scope of HKFRS 16.

44 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

		2019 RMB'000	2018 RMB'000
Sales	(i)	**201,221**	160,172
Purchases	(ii)	**159,748**	293,226
Comprehensive charges	(iii)	**7,392**	5,192
Processing charges	(iv)	**23,325**	21,957
Processing income	(v)	**914**	279
Office services income	(vi)	**1,738**	1,478
Loans from related parties	(vii)	**271,402**	317,750
Repayment of loans from related parties	(vii)	**120,000**	387,750
Loan interest expenses	(vii)	**4,519**	10,119
Deposit service	(viii)	**529,457**	528,211
Interest income from deposits	(viii)	**4,290**	4,037

(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 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and are repayable between one and four years.

(viii) Deposit service represents deposit acceptance service provided by a related party. The amount represents the maximum daily outstanding balance of the Group's deposits placed with the related party. The deposits bear interest from 0.46% to 1.76% (2018: 0.46% to 2.25%) and can be withdrawn on demand.

All the above transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. While all the above transactions fell under the definition of Continuing Connected Transactions under the Listing Rules, only sales, purchases, processing charges, processing income and deposit service are subject to the disclosure requirements under the Listing Rules and are set out in the section headed "Connected transactions and continuing connected transactions subject to annual review" in the Directors' Report. Since the definition of related parties is wider than that of Connected Persons under the Listing Rules, the figures reported above could be higher than those in the Directors' Report.

44 Material related party transactions *(Continued)*

(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:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**20,523**	30,250
Share-based compensation benefits	**10,149**	8,317
	30,672	38,567

Total remuneration is included in "staff costs" (see note 8(b)).

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

	2019 RMB'000	2018 RMB'000
Trade receivables for products sold	**128,568**	183,251
Trade payables for raw material purchased and receipts in advance for sales	**(84,200)**	(151,699)

Note:

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

(d) Loans from related parties

	2019 RMB'000	2018 RMB'000
Loans from related parties	**186,402**	35,000

Note:

(i) The loans are unsecured, interest bearing from 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and are repayable between one to four years.

44 Material related party transactions *(Continued)*

(e) Deposits placed with a related party

	2019 RMB'000	2018 RMB'000
Deposits	**404,495**	528,211

Notes:

(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 borrowing from a related party

	2019 RMB'000	2018 RMB'000
Other borrowing	**36,902**	–

The other borrowing is interest bearing of 3.72% (2018: nil) per annum and is repayable within three years. The other borrowing arose from the acquisition of a subsidiary which reclassified this other borrowing from an independent third party to a related party. This other borrowing is included as part of the Group's other borrowings (note 34).

(g) Other receivable from a related party

	2019 RMB'000	2018 RMB'000
As 31 December – carrying amount	**7,356**	7,356
Increase in loss allowance recognised in profit or loss during the year (note 5(a)(ii))	**(7,356)**	–
As 31 December – after provision	**–**	7,356

The related party is an associate of CIMC.

45 Transactions with non-controlling interests

Acquisition of additional interest in a subsidiary

On 4 September 2019, Jingmen, a subsidiary of the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 10% of ordinary shares of Hongtu held by the non-controlling interest shareholders at the consideration of RMB43,000,000.

On 8 October 2019, the transaction was completed. The carrying amount of the non-controlling interests of Hongtu on the completion date of acquisition was RMB37,974,000. The Group recognised an decrease in non-controlling interests of RMB37,974,000 and a decrease in capital reserve of the Company of RMB5,026,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during the year is summarised as follows:

	2019 RMB'000
Consideration paid to non-controlling interests	**43,000**
Carrying amount of non-controlling interests acquired	**(37,974)**
Excess of consideration paid recognised within equity	**5,026**

As at 31 December 2019, the consideration had been fully settled.

46 Business combinations

(a) On 5 March 2019, CIMC Enric Tank and Process B.V., an indirect wholly-owned subsidiary of the Company, completed the purchase of selected assets in DME Process System Ltd. ("DME") from the receiver of DME Group. DME Group, based in Canada, was a designer and manufacturer of equipment for the craft brewing sector, especially in North America.

(b) On 31 March 2019, EIHL, an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement with Ningxia Yuanshan New Energy Group ("Ningxia Yuanshan") for acquisition of 65.09% equity interests in Ningxia Changming Natural Gas Development Ltd. ("Ningxia Changming"). Ningxia Changming is principally engaged in the liquefaction of natural gas.

(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 dates.

	DME RMB'000	Ningxia Changming RMB'000	Total RMB'000
Purchase consideration			
– Cash paid	26,375	106,650	133,025
– Contingent consideration (i)	–	48,000	48,000
Total purchase consideration	26,375	154,650	181,025

46 Business combinations *(Continued)*

(c) *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

		Fair value	
	DME RMB'000	**Ningxia Changming** RMB'000	**Total** RMB'000
Cash and cash equivalents	–	14,467	14,467
Property, plant and equipment	20,296	408,469	428,765
Construction in progress	–	76,583	76,583
Lease prepayments	–	19,073	19,073
Intangible assets (ii)	–	69,460	69,460
Inventories	5,828	3,105	8,933
Trade and bills receivables	251	1,150	1,401
Deposit, other receivables and prepayments	–	88,796	88,796
Bank loans	–	(252,177)	(252,177)
Contract liabilities	–	(6,460)	(6,460)
Trade and bills payables	–	(19,453)	(19,453)
Other payables and accrued expenses	–	(162,185)	(162,185)
Deferred income	–	(2,252)	(2,252)
Income tax payable	–	(981)	(981)
Deferred tax liabilities	–	(10,419)	(10,419)
Total identifiable net assets	26,375	227,176	253,551
Non-controlling interest	–	(79,307)	(79,307)
Goodwill	–	6,781	6,781
	26,375	154,650	181,025

		Fair value	
	DME RMB'000	**Ningxia Changming** RMB'000	**Total** RMB'000
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2019)	764	496	1,260
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	26,375	106,650	133,025
– cash and cash equivalents in subsidiary acquired	–	(14,467)	(14,467)
Cash outflow on acquisition	26,375	92,183	118,558

46 Business combinations *(Continued)*

(c) *(Continued)*

(i) Contingent consideration

The contingent consideration represents a consideration of RMB60,000,000 payable by EIHL to Ningxia Yuanshan which is contingent upon the successful acquisition of qualified natural gas exploitation license by Ningxia Changming by 31 December 2019.

The fair value of the contingent consideration of RMB48,000,000 was estimated based on the value of probable future cash outflow without applying any discount, because the consideration is expected to be settled within one year.

The qualified natural gas exploitation license has not been successfully acquired before 31 December 2019. The gain from change of estimation for contingent consideration payable recognised in "Other income, net".

(ii) Intangible assets

The right of operation and qualified natural gas exploitation license have been recognised from the acquisition. These intangible assets are amortised using the straight-line method over the estimated useful life of 20 to 30 years.

As at 31 December 2019, the Group reassesses the recoverable amount of the qualified natural gas exploitation license. An impairment loss has been recognised for the year ended of 31 December 2019, and the loss is recognised in "Other income, net".

(iii) Revenue and profit or loss contribution

Ningxia Changming contributed revenues of RMB181,492,000 and net loss of RMB34,048,000 to the Group for the period from 31 March to 31 December 2019. DME contributed revenues of RMB52,344,000 and net loss of RMB406,000 to the Group for the period from 5 March to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB13,759,593,000 and RMB935,243,000 respectively.

47 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**5,074,304**	4,963,389
Current assets		
Other receivables	**3,023**	1,734
Amounts due from subsidiaries	**2,869,030**	2,608,168
Cash and cash equivalents	**19,375**	12,024
	2,891,428	2,621,926
Current liabilities		
Bank loans	**263,255**	64,839
Other payables and accrued expenses	**117,335**	157,322
Amounts due to subsidiaries	**1,584,673**	1,121,739
	1,965,263	1,343,900
Net current assets	**926,165**	1,278,026
Total assets less current liabilities	**6,000,469**	6,241,415
Non-current liabilities		
Bank loans	**544,144**	686,320
NET ASSETS	**5,456,325**	5,555,095
CAPITAL AND RESERVES		
Share capital	**18,371**	18,253
Reserves	**5,437,954**	5,536,842
TOTAL EQUITY	**5,456,325**	5,555,095

47 Balance sheet and reserve movement of the Company *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000 39(b)(i)	Shares held for share award scheme RMB'000 35(b)	Contributed surplus RMB'000 39(b)(ii)	Capital reserve RMB'000 39(b)(iii)	Exchange reserve RMB'000 39(b)(iv)	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	168,902	–	4,903,654	177,699	(337,809)	599,934	5,512,380
Total comprehensive income for the year	–	–	–	–	188,482	(81,366)	107,116
Transfer to retained earnings	–	–	–	(5,279)	–	5,279	–
Issuance of shares in connection with exercise of share options	30,189	–	–	(8,812)	–	–	21,377
Issuance of ordinary shares in connection with share award scheme	142,472	(144,977)	–	–	–	–	(2,505)
Equity-settled share-based transactions (note 35)	–	–	–	29,960	–	–	29,960
2017 final dividend paid	–	–	–	–	–	(131,486)	(131,486)
At 31 December 2018 and 1 January 2019	**341,563**	**(144,977)**	**4,903,654**	**193,568**	**(149,327)**	**392,361**	**5,536,842**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**90,490**	**(68,905)**	**21,585**
Issuance of shares in connection with exercise of share options	**69,375**	**–**	**–**	**(23,572)**	**–**	**–**	**45,803**
Shares held for share award scheme – vesting of awarded shares	**35,768**	**43,164**	**–**	**(35,768)**	**–**	**–**	**43,164**
Equity-settled share-based transactions (note 35)	**–**	**–**	**–**	**36,669**	**–**	**–**	**36,669**
2018 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(246,109)**	**(246,109)**
At 31 December 2019	**446,706**	**(101,813)**	**4,903,654**	**170,897**	**(58,837)**	**77,347**	**5,437,954**

48 Immediate and ultimate controlling party

At 31 December 2019 and 2018, the immediate parent of the Company is China International Marine Containers (Hong Kong) Limited ("CIMC HK"), which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2019 and 2018, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

49 Events occurring after the balance sheet date

Since January 2020, the epidemic of Novel Coronavirus Disease (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

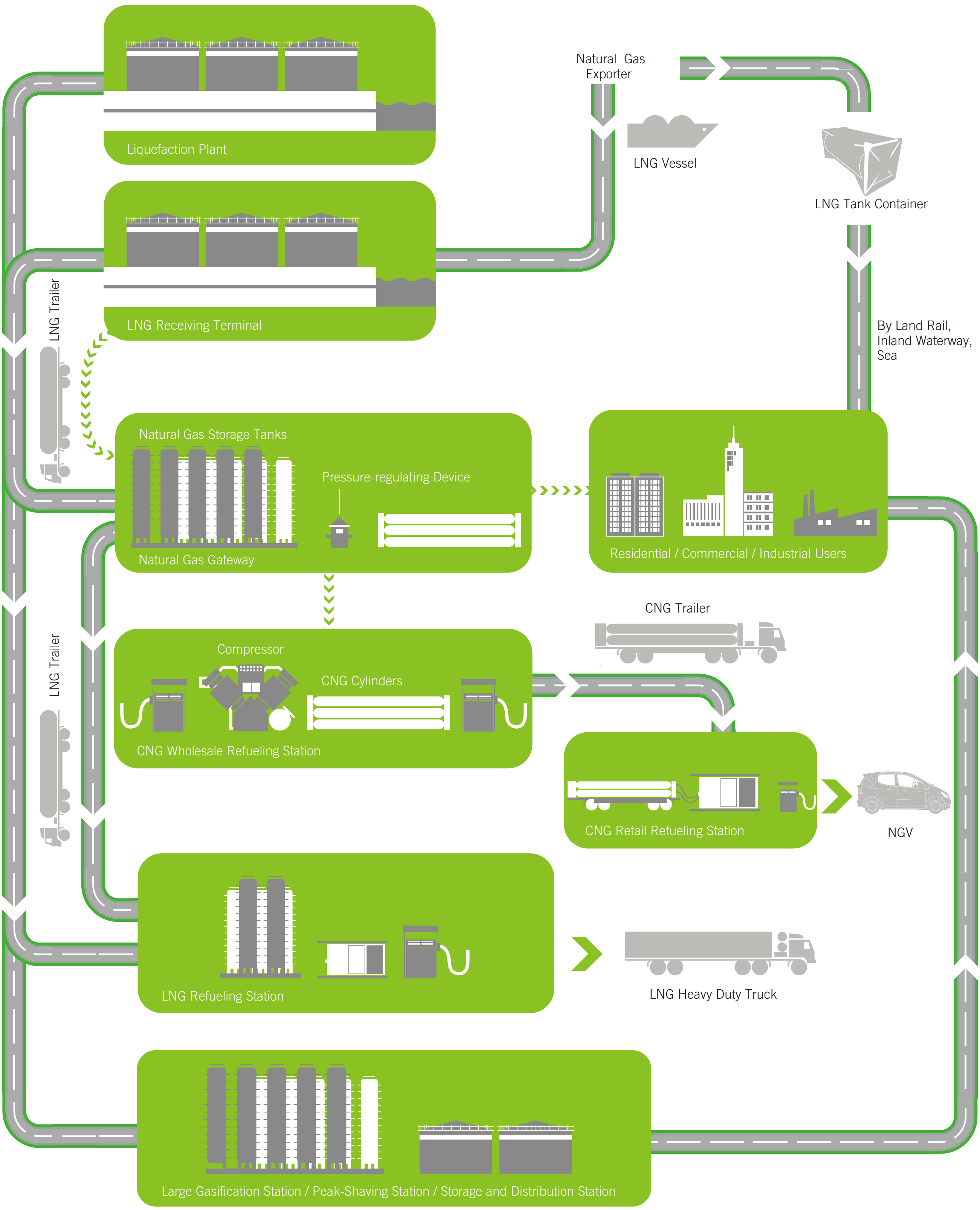
Due to the COVID-19 outbreak and related precautionary and control measures imposed by the government, the Group postponed the resumption of production in certain factories after the Chinese New Year holidays. Up to the date of this report, the COVID-19 outbreak has no significant impact on the financial position and operating results of the Group for the year ended 31 December 2019.

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
"SOE"	Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd 南通中集太平洋海洋工程有限公司 (formerly known as SinoPacific Offshore & Engineering Co., Ltd)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

NATURAL GAS TRANSPORTATION, STORAGE AND DISTRIBUTION



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