CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Strategic Focus Quality Growth

2020 Annual Report

Vision

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

Mission

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

About Us

Founded in 2004, CIMC Enric Holdings Limited has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group. We are principally engaged in 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 in 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, Germany, Belgium, United Kingdom and Canada that operate production bases and advanced R&D centres.

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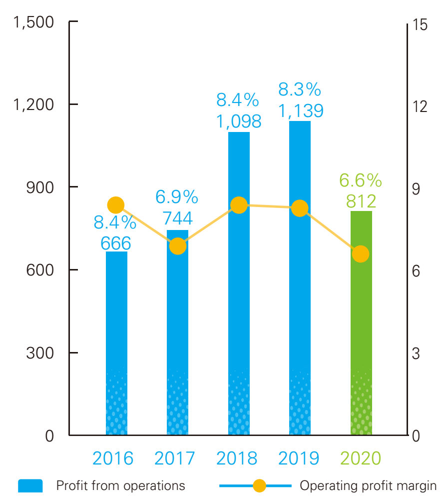
FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000
Revenue	**12,289,567**	13,743,019	13,051,651	10,706,590	7,968,403
Profit from operations	**811,991**	1,138,573	1,098,087	743,960	665,559
Finance costs	**(44,730)**	(62,132)	(73,577)	(79,402)	(106,897)
Impairment provision	**–**	–	–	(105,549)	(1,362,915)
Share of post-tax profit/(loss) of associates	**5,998**	9,371	(4,094)	(245)	–
Profit/(loss) before taxation	**773,259**	1,085,812	1,020,416	555.764	(804,253)
Income tax expenses	**(207,051)**	(184,407)	(237,966)	(135,866)	(132,427)
Profit/(loss) for the year	**566,208**	901,405	782,450	422,898	(936,680)
Attributable to:					
Equity shareholders of the Company	**579,923**	911,007	785,502	420,077	(928,772)
Non-controlling interests	**(13,715)**	(9,602)	(3,052)	2,821	(7,908)
Profit/(loss) for the year	**566,208**	901,405	782,450	422,898	(936,680)
Earnings/(loss) per share					
– Basic	**RMB0.293**	RMB0.464	RMB0.403	RMB0.217	(RMB0.480)
– Diluted	**RMB0.293**	RMB0.459	RMB0.398	RMB0.215	(RMB0.480)

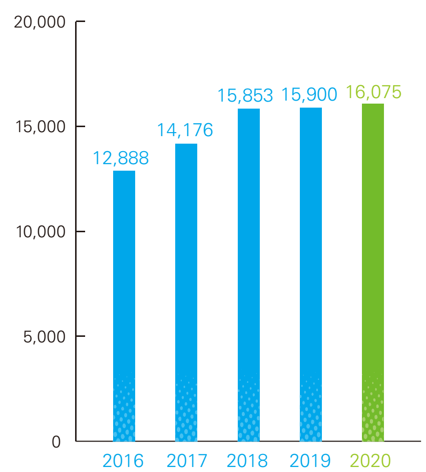
	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000
Total Assets	**16,074,720**	15,900,033	15,853,354	14,176,233	12,888,423
Total Liabilities	**(8,603,362)**	(8,515,522)	(9,307,560)	(8,306,454)	(7,586,358)
Net Assets	**7,471,358**	7,384,511	6,545,794	5,869,779	5,302,065

Note: The comparative figures for the year 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		
	2020 RMB'000	2019 RMB'000	+/-
FINANCIAL POSITION			
Total assets	**16,074,720**	15,900,033	+1.1%
Net assets	**7,471,358**	7,384,511	+1.2%
Net current assets	**3,576,660**	3,721,040	-3.9%
Cash and cash equivalents	**2,560,890**	2,534,752	+1.0%
Bank loans and loans from related parties and other borrowings	**1,013,089**	1,054,542	-3.9%
Gearing Ratio[1]	**13.6%**	14.3%	-0.7ppt

	For the year ended 31 December		
	2020 RMB'000	2019 RMB'000	+/-
OPERATING RESULTS			
Revenue	**12,289,567**	13,743,019	-10.6%
Gross profit	**2,094,723**	2,351,294	-10.9%
EBITDA	**1,170,912**	1,439,908	-18.7%
Profit from operations	**811,991**	1,138,573	-28.7%
Profit attributable to equity shareholders	**579,923**	911,007	-36.3%
PER SHARE DATA			
Earnings per share – Basic RMB	**0.293**	0.464	-36.9%
Earnings per share – Diluted RMB	**0.293**	0.459	-36.2%
Net asset value per share	**3.715**	3.673	+1.1%
KEY STATISTICS			
GP ratio	**17.0%**	17.1%	-0.1ppt
EBITDA margin	**9.5%**	10.5%	-1ppt
Operating profit margin	**6.6%**	8.3%	-1.7ppt
Net profit margin[2]	**4.7%**	6.6%	-1.9ppt
Return on equity[3]	**8.0%**	13.5%	-5.5ppt
Interest coverage – times	**23.1**	23.1	–
Inventory turnover days	**136**	121	+15
Debtor turnover days	**76**	76	–
Creditor turnover days	**87**	82	+5

Notes:

1 Gearing ratio = Bank loans and loans from related parties and 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

Non-executive Director

Gao Xiang *(Chairman)*

Executive Director

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

Sustainable Committee

Gao Xiang*
Yang Xiaohu
Yu Yuqun

* *chairman/chairperson of the relevant Board committees*

Authorised Representatives

Gao Xiang
Cheong Siu Fai

Registered Office

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

Head Office in the PRC

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

Principal Place of Business in Hong Kong

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
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

21 May 2021

Closure of Register of Members for the 2020 Final Dividend

31 May 2021 to 4 June 2021 (both days inclusive)

Payment of 2020 Final Dividend

On or about 28 June 2021

Stock Code

3899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

Dear Shareholders and Partners,

The Company experienced a challenging year in 2020, and the industries in which the Company are engaged in were facing a series of challenges. In the face of the novel coronavirus pandemic, although the Company's performance has declined, it still recorded sound profit for the year of 2020. The Company achieved healthy development and strives to become an industry-leading technology enterprise in clean energy, chemical and environmental, and liquid food industries.

Major Events of 2020

On 3 April 2020, the Company adopted share award scheme 2020, an initial budget to HK$160 million to purchase no more than 2% of the issued shares of company as incentive to eligible participants. The share award scheme 2020 are (a) to provide eligible participants with an opportunity to own Shares in the Company thereby aligning the interests of the eligible participants with that of the Shareholders; (b) to incentivize eligible participants to benefit from value enhancement through delivery of performance targets; and (c) to encourage and retain eligible participants to make contributions to the long-term and sustainable growth of the Group.

On 9 December 2020 the Company published the announcement in relation to the litigation between CIMC Enric Investment Holdings (Shenzhen) Limited ("Enric Shenzhen"), a wholly-owned subsidiary of the Company and SOEG PTE LTD. Enric Shenzhen received the Civil Ruling (2020) Su Min Final No. 863 issued by Jiangsu Province High People's Court, the ruling in relation to the appeal was treated as automatic withdrawal of appeal. Enric Shenzhen has won the litigation finally. No provision for the litigation has been made in the accounts of the Group in this respect.

On 16 December 2020, the Company and CIMC jointly published an announcement in relation to the Company are considering a proposed spin-off and separate listing of CIMC Safeway Technologies Co., Ltd. ("CIMC Safe Tech") by way of separate A-shares listing. The listing committee of The Stock Exchange of Hong Kong Limited has agreed the proposed spin-off by the Company under Practice Note 15 of the Listing Rules. The proposed spin-off is still subject to certain conditions, as at the Report date, neither the Company nor CIMC Safe Tech has submitted any application in relation to separate A-share listing of CIMC Safe Tech with relevant regulatory authorities in Mainland China.

Results of the Year

In 2020, due to the rapid spread of the novel coronavirus ("COVID-19") pandemic, governments of various countries implemented different levels of anti-pandemic measures, which severely affected global economic activities and international trade. While the epidemic had gradually come under control in China, the production and operations of certain overseas subsidiaries had been significantly affected, adversely impacting the Group's commercial activities and resulting in delayed production. In general, there has been negative impact on the results of 2020, which has been minimised through the Group's overall efforts and active response.

In 2020, the clean energy segment's revenue rose by 2.7% to RMB7,001,558,000 (2019: RMB6,814,772,000) mainly driven by the increase in demand for storage and down-stream application equipment. Among those, down-stream application equipment such as on-vehicle LNG fuel tanks and on-board LNG fuel tanks were the main contributors to sales revenue growth in 2020. The segment remains the top grossing segment and accounted for 57.0% of the Group's total revenue (2019: 49.6%).

Revenue from the chemical and environmental segment declined by 40.1% to RMB2,026,944,000 (2019: RMB3,385,706,000). As global economic recovery slows under the spread of the pandemic, the normal operation of global trade has been affected, and the global chemical industry suffered a setback. The above factors coupled with the rapid growth in global sales of tank containers have resulted in a considerable impact on the 2020 results of the segment. Nevertheless, recent shortage of marine containers implies the recovery of tank container market is just around the corner. To conclude, the Company is optimistic about the overall growth prospect of the tank container industry in the long term. The segment made up 16.5% of the Group's total revenue (2019: 24.6%).

Revenue from the liquid food segment decreased mildly by 11.3% to RMB2,727,872,000 (2019: RMB3,076,961,000) for the year, as the pandemic had resulted in temporary delays in the construction of liquid food infrastructure. However, sub-segments such as spirits, dairy products and condiments remains active, as relevant infrastructure investment was stable during the year, providing support for the growth of the liquid food segment. The segment accounted for 22.2% of the Group's total revenue (2019: 22.4%).

The Group's consolidated revenue for 2020 was RMB12,289,567,000, decreasing by 10.6% as compared to the previous year. Profit attributable to shareholders of the Company decreased by 36.3%, year-on-year, to RMB579,923,000. Basic earnings per share was RMB0.293 (2019: RMB0.464).

2020 Final Dividend

Taking into consideration of the Group's business development and the purpose of sharing returns with shareholders, the Board proposes a final dividend for 2020.

The Board recommends a final dividend in respect of 2020 of HKD0.14 (2019: HKD0.20) per ordinary share payable in cash on or about 28 June 2021 to shareholders whose names appear on the register of members of he Company on 4 June 2021, subject to shareholders' approval in the forthcoming annual general meeting on 21 May 2021.

Business Review and Prospects

As the majority of the operations of the clean energy segment are located in China, other than experiencing weak demand in the first quarter of 2020, domestic enterprises started to resume operation and production since the second quarter. Demand for natural gas in China also rebounded within a short span and maintained resilient growth. As China's energy transformation accelerates, the development of green energy such as natural gas and hydrogen is expected to be strongly emphasised in the upcoming "14th Five-Year Plan". The Company also worked actively in tandem with the government planning to adjust the business mix of its clean energy segment and increase R&D investment, with a view to further enhancing the Company's competitive advantage as an advanced intelligent manufacturer in clean energy industry.

As the only key equipment manufacturer and integrated engineering services provider in China claiming full natural gas industry coverage, the Company directly benefits from the positive development of natural gas industry in China. During the first three quarters of 2020, there was ample LNG supply with stable prices, encouraging more coal-to-gas conversion in various regions. In addition, the nation continues to encourage the construction of more peakshaving infrastructures. The Company therefore reported sound sales in storage equipment and engineering projects. Downstream applications also benefited from the economic advantages of natural gas, as there's more LNG fuel consumption and upgrade in both offshore and onshore traffic sectors, driving the sales of on-vehicle LNG fuel tanks and on-board LNG fuel tanks.

In response to the nation's planning for "carbon neutrality", hydrogen energy has become another key clean energy intensively explored by the Company. In 2020, the Company established the "Industry Demonstration Base of Hydrogen Equipment in Shijiazhuang, Hebei", and won the bid for the hydrogen refueling station equipment procurement project of National Energy Group. An important strategic cooperation was established between the Company and Baowu Clean Energy to accelerate application of hydrogen energy in Yangtze River Delta, and achieved major breakthroughs in multiple projects.

In 2020, the global chemical industry suffered a setback under the effect of the pandemic and Sino-US trade frictions, resulting in the decline in demand for storage and transportation equipment used for internationally traded liquid chemical and industrial gases, posing severe challenge for the tank container business of the chemical and environmental segment in 2020. Despite market uncertainties in the short term, the segment strived to maintain its prestigious market position, as "CIMC Tank" has been the bestselling tank container in the global market for 17 years consecutively, according to International Tank Container Organisation (ITCO) statistics. In the medium to long term, with the further promotion of tank container as a more intelligent and green option in the global chemical logistics sector, the market for tank containers will remain vigorous.

The Company has been speeding up to cater to the new development landscape of the "dual circulation" of domestic and international markets and the promotion of tank containers in China's chemical logistics sector. In 2020, Jiaxing Depot, the segment's first tank depot in China has realised profit, while establishing its presence in Jinshan National Petrochemical Industrial Park in Shanghai to groom opportunities for future business growth. In connection with newly-entered environmental protection business, the segment has obtained environmental engineering and safety licensing qualifications. The segment's first cooperative project in integrated utilisation of hazardous waste was official commissioned in the fourth quarter of 2020, providing the foundation for expansion in the business of environmental protection equipment and ancillary services.

As disclosed in the announcement dated 16 December 2020, the Company is considering the feasibility of a proposed spin-off and separate listing of 中集安瑞環科技股份有限公司 (CIMC Safeway Technologies Co., Ltd.) by way of separate A-share Listing. An application for the proposed spin-off has been submitted to the Hong Kong Stock Exchange and the Listing Committee has granted approval for the proposed spin-off under Practice Note 15. Through the separate A-share listing, the Company wishes to gain access to a sound platform for the sustainable development of the tank container business and new exploration in the environmental protection sector.

The liquid food segment was affected by the pandemic in 2020, as certain customers had been in business suspension and certain overseas projects were delayed to various extents as a result. Nevertheless, some project was completed in 2020 ahead of its original schedule after modification in scale during the year. Sound profit has been recognised from this project after amicable negotiations with customer.

Despite the challenges of 2020, the segment and the majority of its customers are fully confident in the liquid food industry in the longer term. The segment has won three significant turnkey brewery projects prior to the fourth quarter of 2020, including one brewery expansion project and two projects for construction and implementation of hard seltzer plants in western hemisphere market. The overall amount for three projects awarded exceeds USD200 million.

In addition, the Company's business diversification plan remained on course, as it continued to develop new market such as Baijiu and sparking water, and secured interim orders from these sectors. The acquisition of 100% equity interest in McMillan (Coppersmiths & Fabricators), a manufacturer of copper distilling and brewing equipment in UK, has been completed in 2020, which has provided us with coverage of the entire value chain of the distilled liquor industry. The integration of McMillan has been completed, on the basis of which we will develop the ability to provide distillation equipment and turn-key project service to nurture business opportunity of Baijiu in China.

During the past year, the Company streamlined its existing product mix and reviewed its previous strategies and plans based on an analysis of the business environment. Following reflections, we have established new strategy for the next three years, namely, "Product focus, technology innovation, excellent operation and intelligent interconnection", aiming to build up an integrated servicing capability. The Company will remain committed to business expansion in the three principal segments of clean energy, chemical and environmental and liquid food, providing customers with technical solutions and services underpinned by key equipment, which is intelligent, reliable, high-quality, and value-added. We strive to become an industry-leading technology-driven enterprise that creates new value in the sectors in which we operate, and to make people's lives better by supporting green energy transition and sustainable environment.

Social Responsibility

In early 2020, the epidemic situation in China was critical and medical supplies were very tight. The supply of medical oxygen, on which the safe and lives of thousands of patients depended, was quickly running out. For example, in Wuhan, Hubei, the region that suffered most under the epidemic, the daily consumption of medical oxygen was more than 6 times of its consumption during normal periods. Committed to support for frontline anti-epidemic workers, the Group swiftly formed a steering group overseeing the urgent supply of medical oxygen. We overcame various difficulties and manufactured more than 30 liquid oxygen tanks for medical use and An Jie Tong medical oxygen equipment on the back of extra shifts, delivering them in no time to key hospitals such as Jinyintan and Huoshenshan in Hubei and Xiaotangshan in Huanggang, in vigorous fulfilment of our corporate social responsibility.

At the outbreak of COVID-19 in China, we received caring messages from many overseas customers, who expressed their understanding of any delays in shipments as a result of the pandemic. While the epidemic gradually came under control in China, the global pandemic situation was escalating. To help its customers and support the fight against the pandemic in the overseas, the Group purchased massive quantities of anti-epidemic supplies, such as face tasks and forehead thermometers, in early March. Together with the COVID-19 prevention manual drafted by the Company, these supplies were delivered for free to 32 overseas customers in Korea, the Philippines, Malaysia, Indonesia, Bangladesh, Pakistan, Maldives, Ghana, Tanzania, Nigeria and Uzbekistan. We are pledged to solidarity and unity with our overseas customers in the fight against the pandemic.

In October 2020, Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司), a subsidiary of the Group, was awarded the title of national "Green Factory". Through adoption of the contract-based energy approach, the Company replaced its air compressors with high energy consumption levels with more energy-efficient models. Over the year, we have reduced electricity consumption by approximately 27%. Heat generated during the operation of the air compressors has been recycled through the complementary residual heat recovery unit and is currently supplied to the production complex, office complex and cafeteria covering GFA of 5,000 square metres. As an enterprise engaged in intelligent manufacturing, the Company seeks to develop "Green Factories primarily through energy conservation and emission reduction initiatives, directing and regulating the plants to implement green manufacturing and making substantial efforts in relation to energy mix adjustment as well as the technology and management regimes, in order to drive green development at the plants and enhance the fulfilment of social responsibility.

Appreciation

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

Gao Xiang
Chairman

Hong Kong, 23 March 2021

CLEAN ENERGY

Offshore Clean Energy Industry Chain

Upstream: Processing & Treatment

- Offshore oil and gas processing module

Midstream: Transportation & Storage

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

Downstream Application

- LNG bunkering vessel
- On-board LNG fuel tank

Onshore Clean Energy Industry Chain

Upstream: Process & Treatment

- Liquefaction plants & liquefaction module designed for wellhead gas
- Unconventional gas treatment and processing

Midstream: Transportation & Storage

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

Downstream Application

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

Industry Overview

In early 2020, the growth in natural gas consumption in China slowed down under the impact of the epidemic and a drastic decline in international oil price. With the implementation of effective anti-epidemic measures in China and the orderly resumption of production and operations by enterprises, the demand for natural gas picked up and showed resilience. According to the NDRC statistics, the apparent natural gas consumption in China in 2020 reached 328.9 billion m³ for a year-on-year growth of 5.6%. In particular, the consumption of natural gas in liquid form showed trend-bucking growth. According to the data provided by energy consultant LESSBETTER, the total LNG consumption in liquid form in China has reached 36.50 million tonnes in 2020 for a year-on-year growth of 37.5%. Analysed by the category, there has been more LNG consumption in traffic fuel sector by vehicles and ships for last three consecutive years, which has become the largest segment of LNG consumption in China in 2020. In total 13.44 million tonnes of LNG consumed by traffic fuel sector, accounting for 37% of total LNG consumption in liquid form. The second largest category was industrial gas consumption, with a percentage share decreasing from 39% to 36%. The percentage shares of city gas consumption and consumption in power generation remained unchanged at 24% and 4%, respectively.

According to the National Bureau of statistics, domestic natural gas production in China has sustained rapid growth. In 2020, China produces 188.8 billion m³ of natural gas, growing by 9.8% year-on-year with annual increase of more than 10.0 billion m³ for four consecutive years. In 2020, China imported 102 million tonnes of natural gas with a 5.3% year-on-year growth. Among which, China imported approximately 67.67 million tonnes of LNG in 2020, representing an approximately 10.3% year-on-year growth. According to LESSBETTER ("來佰特"), the capacity of existing receiving stations in China was 93.10 million tonnes/year by the end of 2020, with numerous receiving stations in coastal areas and along inner waterways in the pipeline. With further construction in natural gas storage facilities and further natural gas consumption driven by the coal-to-gas conversion policy, China is expected to import more natural gas.

As a premium form of clean energy, natural gas is most suitable for developing countries in accelerating the development of the ecological civilisation. It is envisaged that the share of natural gas as part of total primary energy consumption will continue to increase in China. According to the "Report on the Progress of China's Energy Revolution (2020)", given more specific instructions relating to carbon reduction, the share of clean energy such as non-fossil energy and natural gas in primary energy is expected to reach 30% during 14th FYP, and 40% by 2030. Natural gas is expected to account for 15% of China's primary energy consumption by 2030, compared to 8% in 2019. We expect natural gas consumption in China to grow at a stable and healthy pace in the long term, presenting abundant business opportunities along the industry chain.

Driven by the agenda of "carbon neutrality", a series of policies for the development of hydrogen energy has been announced in different cities and provinces. By now, 7 national policies have been issued by the central government and 30 relevant plans have been announced by 22 provinces/cities to assist the development of hydrogen energy. In general, these industry plans are consistent with one another in terms of setting interim targets in areas such as industry value, number of Fuel Cell Electric Vehicles ("FCEV") on road, number of hydrogen refuelling stations built and business incubation. According to the "White Paper on the Hydrogen Energy and Fuel Cell Electric Vehicle Industry of China", China plans to launch 1.30 million units of FCEV to the road and build up 1,000 hydrogen refueling stations by 2035. Public data shows that there have been 7,355 units of FCEVs and 118 hydrogen refueling stations in China as at the end of 2020. Given the enormous growth potential of the hydrogen market, enterprises with technological edge and comprehensive product portfolio will be in an advantageous position to deploy the blue ocean market.

Policies Relating to Clean Energy Industry

Date	Authority	Document	Key content
April 2019	NDRC	"Guiding Catalogue for Adjustment of Industry Structure" (Consultation Draft 2019)	Technology development and related equipment manufacturing for the production, distribution and high-density storage of hydrogen, as well as hydrogen refuelling stations, are included in Type One "encouraged sectors".
May 2019	Ministry of Industry and Information Technology	"Key Tasks in New Energy Vehicle Standardisation 2019"	The development of hydrogen fuel cell has become a priority, clear instruction has been made to establish technical standards of fuel cell electric vehicle (FCEV) and hydrogen refuelling station.
June 2019	Yangtze River Administration	"Notice on Related Matters of LNG Powered Ship Trial Passing through Three Gorges Dam Ship Locks"	With effect from 1st June 2019, LNG powered ships have been given priority over others in passing the Three Gorges Dam, representing a favourable signal for the development of LNG powered ships on inland waterways in China.
June 2019	Ministry of Finance	"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
April 2020	National Energy Administration	"Energy Law of the People's Republic of China (Consultation Draft)"	• Taking measures to develop and utilize natural gas actively and rationally, in a bid to increase the proportion of natural gas to primary energy consumption. Improving the fair access mechanism of the power grid, oil pipeline, natural gas pipeline and other energy transmission network and facilities. Opening market to entities such as qualified energy production and redistribution enterprises fairly. • Hydrogen recognised as energy under law for the first time, confirming the status of hydrogenic energy in top-level energy design and offering a strategic choice for optimising energy structure and ensuring energy safety.
April 2020	Five departments including NDRC and the Ministry of Finance	"Implementation Opinion on Expediting Development of Natural Gas Storage Capability"	Strengthening overall planning of the construction plans of significant gas storage facility from both national and provincial level with annual disclosure of the pipeline list. The mission of gas storage capacity assigned to city gas operators shall also be included in provincial planning to build centralized storage facilities and ensure city supply.

Date	Authority	Document	Key content
April 2020	Ministry of Finance, Ministry of Industry and Information Technology and NDRC	"Notice on Improving the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles"	Adjusting subsidy policies for new energy vehicles and providing incentives to eligible city cluster for industrialisation and model application of FCEVs, in order to build up a new development model of FCEVs.
July 2020	Ministry of Transport	"Freight Safety Standards for Movable LNG Tank Containers on Special Ships (Trial Implementation)"	The first safety standard issued for the LNG tank container ship, clarified that the special ship carrying LNG tank container means that the ship only carries LNG tank container, or the ship carries LNG tank container and other cargo at the same time. The percentage of LNG tank container of all tanks on board should exceeds 50% in this definition; or 100 LNG tank containers carried at sea; and 50 or more LNG tank containers carried in inland rivers.
September 2020	State Council	"Opinions on Promoting Coordinated and Stable Development of Natural Gas"	Coordinated development of production, supply, storage and marketing: The coordinated development of the upstream, midstream, and downstream parts of the natural gas industry shall be boosted, and a production, supply, storage, and marketing system for natural gas, based on the domestic market, with diversified sources of imports, sound pipeline network arrangements, gas storage in support of peak load regulation, and a reasonable gas structure, in safe and reliable operation shall be developed. Based on the actual supply of resources, the advancement of the orderly use of natural gas shall be planned in an overall manner.

Date	Authority	Document	Key content
September 2020	Ministry of Finance, Ministry of Industry and Information Technology, NDRC and National Energy Administration	"Notice on Launching Model Applications of Fuel Cell Vehicles"	The showcase period is provisionally set at four years, during which the five authorities will reward selected city clusters according to their target completion in lieu of granting subsidies. In principle, 1 point in score will worth a reward amount of approximately RMB100,000.
October 2020	State Council	"Development Planning for New Energy Vehicle Industry (2021–2035)"	Carrying out demonstration applications of hydrogen storage and transportation technologies in gas, liquid and solid form under high-pressure, cryogenic or low-temperature circumstances, reducing the cost of hydrogen fuel storage and transportation gradually. Improving the standard for hydrogen fuel production, storage, distribution, and refuelling stations. Strengthen safety and supervision of the entire industry chain of hydrogen energy.
December 2020	State Council	White Paper – "Energy Development in China in the New Era"	• China will be resolute in its drive for energy revolution. Energy production and consumption structure will be optimized to achieve substantial improvements in efficiency of utilization and the ability to ensure energy security. • Expediting development of production, storage and application of green hydrogen. Advancing development of hydrogen energy fuel cell technology and FCEV industry chain.

Date	Authority	Document	Key content
November 2020	Beijing Municipal Bureau of Economy and Information Technology	"Development Planning for the Hydrogen Fuel cell Vehicle Industry of Beijing (2020–2025)"	Beijing aims to build in total 10,000 units of FCEVs and 74 hydrogen refueling stations with a total industry value of RMB24 billion by 2025.
November 2020	Municipal Bureau of Economy and Information Technology, Municipal Development and Reform Commission and other departments	"Implementation Plan for Innovative Development of the Fuel cell Vehicle Industry of Shanghai (2020–2023)"	Shanghai is fully committed to the demonstration and application of FCEVs, planning to build up to 100 hydrogen refuelling stations and 10,000 units of FCEVs which market size would be over RMB100 billion by 2023.
December 2020	Guangdong Provincial Development and Reform Commission	"Guangdong Province Implementation Plan for Expediting Development of the Hydrogen Fuel cell Vehicle Industry"	Guangdong is speeding up the planning and construction of hydrogen refueling stations, laying out about 300 hydrogen refueling stations in the core area of the Pearl River Delta and the coastal economic belt with reasonable subsidy granted.

Business Review

In 2020, the LNG market of China remained robust, with substantial growth in both production and sales volume. CIMC Enric is the only key equipment manufacturer and integrated engineering services provider in China claiming full natural gas industry lay out and capable of providing one-stop system solutions. Having been highly recognised by our customers, we are one of those with highest market share in different product line. For instance, we are leading in China in terms of production and sales volume of storage and transportation equipment for LNG, LPG, CNG and industrial gases.

In connection with storage business, LNG prices remained low during most of the time in 2020, stimulating robust demand for industrial coal-to-gas conversion in Guangdong, Hebei and Shandong. Therefore, we recorded good sales of related storage tanks compared to last year. The Company can supply whole series of storage tank products and engineering services to meet the requirement of natural gas storage capacity in 2020, and we have been actively participated into the construction of peak-shaving facilities in China. In 2020, 68 LNG storage tanks with capacity of 100 m^3 or above have been delivered to Guangdong area, helping local city gas companies in building peak-shaving facilities and promoting the coal-to-gas conversion of local pottery and porcelain industries. We also supplied 22 sets of LNG storage tanks of 150m^3 and above sizes to a client which is a global leading integrated glass manufacturer. More natural gas consumption in industrial sector could benefit us as an equipment manufacturer & solution provider. Apart from natural gas sector. We also supply storage tanks for industrial gas usage such as ethane and ethylene and record an increase in sales. In 2020, we also recognised strong results in provision of engineering service in large-sized storage tank sector. We have secured a new order of two 150,000 m^3 cryogenic ethane and propane storage tanks in Zhejiang. Orders of two 80,000 m^3 cryogenic storage tanks In Lianyungang have been roofed and delivered successfully. The oversea projects in Ghana in which the LPG spherical tanks were also roofed.

In connection with transportation equipment business, LNG tank container, as a new mode of transportation and storage equipment of natural gas, is capable of intermodal transportation (i.e. marine, road and rail) and has been one of our signature products strongly promoted in recent years. During the year, we successfully developed and delivered the world's first batch of 45-ft LNG tank container, a large-capacity product which can enhance turnover efficiency and reduce customers' operating costs. We also assisted customers to complete China's first LNG supply-chain model covering LNG import, storage transportation and distribution using intermodal LNG tank containers. LNG now can be imported from oversea to China through LNG tank container and be stored and redistributed to end-users in the same tank container. Regarding international orders, we exported a large batch LNG tank containers to Brazil for the first time during the year, which have been applied in local power plants for LNG storage and transportation purpose. The application scenario for LNG tank container has been further expanded in this case. As of now, CIMC Enric's LNG tank container product has accounted for over 70% of market share in North America and the Caribbean region, while we have been serving Mexico and other regions in South America for years. Furthermore, we have seen increased sales of LNG trailers during the year thanks to the active LNG trade.

For marine shipping of multiple liquified gases, we are a world leader in the niche market of the small-to-medium sized liquefied gas carriers with the largest global market share, offering a product chain that covers fully-pressing and semi-cooling/semi-pressing carriers for various liquefied gases such as LPG, ethane, LEG and LNG, LNG bunkering vessel. A 20,000 m^3 LNG transportation and bunkering vessel, the world's largest so far was successfully commissioned on 27 January 2021, signifying an upgrade of the Group's design, manufacturing and project management capabilities in the sector of small-to-medium sized liquefied gas carriers.

In connection with downstream application, more cases of fuel upgrade to LNG clean energy were witnessed in both the onshore and offshore transport sectors. Ample supply of LNG at stable prices in the first three quarters of 2020 coupled with government encouraging replacement of the outdated heavy-duty vehicles that fit with China III emission standard, resulting in more intensive application of LNG powered heavy duty trucks in the onshore transport sector. The production volume of LNG powered heavy trucks reached a record high in 2020, driving robust growth in the sales of on-vehicle LNG fuel tanks. In relation to offshore LNG applications, the International Maritime Organization (IMO) has officially implemented the tightest limit for sulphur in fuel oil on a global basis with effect from 1 January 2020. This has expedited the phase-out of old vessels requiring a high level of energy consumption and causing high pollution and advanced the application and development of green vessel using clean energy. We can provide oil-to-gas conversion solution for vessel, LNG fuel tank, LNG bunkering vessel, LNG bunkering system for inland river ships and exhaust gas scrubber. During the year, we undertook orders from customers at home and abroad for on-board fuel tanks of different sizes, including the first cooperative project with Wartsila, an internationally renowned power system solution provider, in providing LNG Pac storage and gas supply system for the dual fuel conversion vessel project of Munsterland of Germany. In June 2020, we participated in China's first "oil-gas-electric" hybrid inland vessel as an EPC contractor, which fully reflects our most advanced technology for converting oil to gas for domestic inland vessels.

In response to national agenda of "carbon neutrality", the Company actively expands borderless cooperation in the resource development, application scenarios and technology R&D relating to hydrogen energy, investigating market opportunities in the processing, storage, transportation, refuelling and consumption of hydrogen energy. In 2020, the Company won the bid for the hydrogen refueling station equipment procurement project of National Energy Group, and established the "Industry Demonstration Base of Hydrogen Equipment in Shijiazhuang, Hebei", which has been included in the "14th FYP" of Hebei Province and Shijiazhuang City for the hydrogen energy industry. In the meantime, we have also participated in the implementation of hydrogen energy development planning with municipal and local governments of Beijing, Tianjin, Shanghai, Guangzhou and Zhangjiakou. An important strategic cooperation was established between the Company and Baowu Clean Energy to accelerate application of hydrogen energy in Yangtze River Delta, and achieved major breakthroughs in multiple projects.

Operational Performance

In 2020, the clean energy segment's revenue rose by 2.7% to RMB7,001,558,000 (2019: RMB6,814,772,000) mainly driven by the increase in demand for storage and down-stream application equipment. Among those, down-stream application equipment such as on-vehicle LNG fuel tanks and on-board LNG fuel tanks were the main contributors to sales revenue growth in 2020. The segment remains the top grossing segment and accounted for 57.0% of the Group's total revenue (2019: 49.6%).

Future plans and strategies

China continues advancing energy structure optimisation with further promotion of green energy to enhance the efficiency. China's leader has pledged to reduce carbon emission, in a bid to achieve carbon neutrality by 2060. Therefore, China's natural gas industry is entering a new phase of development and a critical period in energy transformation. In the long run, market demand for natural gas in China will maintain a sustainable growth and the industry will remain in a stage of significant development.

In view of ample LNG global supply, natural gas price is expected to remain economic over a long period. China has been putting greater effort on establishing production-supplysales system of natural gas and has vigorously enhanced natural gas exploration. Natural Pipe Company has been established to deepen reforms of pipeline network and more peakshaving facilities has been built. China is witnessing high-quality development in the natural gas industry. It is worth sharing that LNG has obvious advantages in the transportation fuel sector in terms of economic efficiency and eco-friendliness. There has been increased gas consumption by on-share vehicles and offshore vessels in 2020, which resulted strong sales of on-vehicle LNG fuel tanks and on-board LNG fuel tanks. In the future, there will be more scenarios for application of natural gas in down-stream, boosting consumption of natural gas in downstream sectors, which will reversely stimulate growth for natural gas exploration in the upstream and storage and transportation equipment and engineering services in midstream. 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 and benefit our business in general.

In connection with the storage business, the year 2020 was the final year to fulfill the peakshaving benchmarks: "3 days for local governments, 10% for gas suppliers, 5% for city gas operators." According to Energy Consulting Agency LESS BETTER (來佰特), the natural gas storage capacity of city gas operators reached 1.05 billion m³ in 2020, an increase by 134 million m³ over 2019 but still a far way off the nation's requirements. Analysed by province, only city gas operators in Shanghai and Tibet have achieved the target set. With the establishment of National Pipe Company, city-gas operators have been equipping themselves with higher gas storage capacity. Larger scale, regional integrated and interregional cooperated type of storage facilities are welcomed, which includes underground gas storage, coastal and inland waterway LNG receiving terminals and regional large-scale LNG tanks, favouring the business development of the segment.

In connection with transportation equipment business, according to the "National Plan for Distribution of Coastal and Inland Waterway LNG Terminals (2035)" drafted by the PRC Ministry of Transport, 6 inland waterway LNG receiving terminals have been planned in 5 provinces, Hubei, Hunan, Jiangxi, Anhui and Jiangsu. Therefore, more than 15 units of LNG carriers with capacity of 30,000m³ each are required to facilitate the redistribution of LNG in inland waterway transportation, which is favourable to the market of small-to-medium sized liquefied gas carriers. In addition, LNG tank containers have been applied to more diversified scenarios, such as peak-shaving storage, direct import from overseas to domestic end-users, and intermodal redistribution usage. With the implementation of the gas supplier licencing system by the National Pipe Company, large number of new shippers will be joining the market, thereby stimulating sales of LNG trailers.

In connection with down-stream applications, International Maritime Organization (IMO) has officially implemented the tightest limit of 0.50%m/m for sulphur in fuel oil used on all ships on a global basis since 1 January 2020. According to the "Opinion on Further Promotion of LNG in the Offshore Transportation Industry" published by the PRC Ministry of Transport, by 2025, China should have formed a comprehensive LNG infrastructure along the river and develop an offshore LNG refuelling networks, and the proportion of LNG powered vessels among newly-bult public service ships as well as inland and river-sea direct vessels should exceed 15% and 10%, respectively. Apart from low-sulphur fuel oil and desulferiser, LNG is the most prospective choice for clean fuel for the vessel transportation industry. In addition to the overseas market, we will continue to exploit market opportunities of the offshore LNG equipment brought by the "Gasification of the Yangtze River" and "Gasification of the Pearl River" initiatives. With effect from 1 January 2021, China has implemented the "China VI" emission standards for heavy trucks. The advantage of LNG powered heavy duty truck in eco-friendliness and economic efficiency will continue to significantly enhance its market competitiveness promising broad market prospects for the related on-vehicle LNG fuel tanks.

In connection with hydrogen energy sector, according to Trend Bank Consulting, China's hydrogen cylinder market will grow at a compound annual growth rate of 47.7% in the next 10 years. The number of Fuel Cell Electric Vehicles ("FCEVs") is estimated to reach 100,000 units and 1 million units in 2025 and 2030 respectively and the hydrogen cylinders market value will reach approximately RMB3.92 billion and RMB20 billion respectively. On-vehicle hydrogen storage technology is essential to the development of FCEV. On 2 March 2021, CIMC Hydrogen Energy Technology Ltd, a wholly-owned subsidiary of the Company, has entered into joint venture agreements with Hexagon Purus HK Holdco AS to provide safe, lightweight and cost-efficient compressed hydrogen storage and distribution solutions to meet the fast-growing market demand in China and Southeast Asia.

Adhering to the core business of "equipment manufacturing + project engineering service + integrated solution" as the main path, the segment will actively track with national policies, and strategically covers the entire natural gas industry chain, with a special emphasis on building full product portfolio to cover the whole LNG and LPG business chains, while continuously adjusts and optimises the high-pressure equipment business including industrial gases, electron gas and CNG. We will also seize new opportunities in the field of hydrogen energy storage, distribution and refuelling, and the opportunities from the field of processing and applications of unconventional natural gas, and opportunities from offshore LNG applications.

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 the first half of 2020, the clean energy segment has successfully completed a great number of research and development projects. For instance:

- Completed R&D of an intelligent LNG supply system on LNG on-vehicle cylinders, which stabilises the interior pressure and supplies natural gas to engine automatically.
- Completion R&D and manufacturing of the first natural-gas-powered emergency rescue vehicle in China.
- Completion R&D and manufacturing of an on-board LNG fuel tanks with a unit capacity of 685 m^3, which is the largest of its kind in China.

- Successfully developed the world's first 45ft LNG tank containers and completed a new design of lightweight frame structure and high-volume tank body with export orders completed.

- Completed research and development of a series of LNG tank containers such as 20ft and 40ft LNG tank containers with backdoor design which are for LNG-fired power plants.

- Successfully developed 52.6m^3 LEG trailer and 52.6 m^3 LNG trailer made with new material, the products have been sold in bulk.

- Successfully developed key storage equipment for city gas companies' newly developing "LPG micro grid" business that meet with national standards in China, i.e. trial production of LPG trailers with loading and unloading pump as well as fixed small-sized LPG storage tank attached thereto.

- Exclusively obtained the national manufacturing qualification of the new fuel containers used in the CAP1000 & CAP1400 nuclear power plant. Multiple orders have been delivered.

- For electronic gases, B2 Grade Manufacturing Certificate for welding gas cylinder has been obtained, and the welding gas cylinder for agents such as WF6, HCl, DCS and pure ammonia has successfully completed and orders for the product have been received.

To facilitate sustainable development, the segment has been vigorously engaged in the R&D of new energy applications other than natural gas, and has made significant progress in equipment for hydrogen energy and research in related applications.

- Successful R&D of 50MPa steel hydrogen storage equipment which has passed a series of environmental tests and has been sold for hydrogen refuelling stations.

- The 30MPa tube bundle container with the highest hydrogen transport pressure in China has been successfully developed after passing various tests.

- The first hydrogen refuelling mother station product was successfully developed and delivered.

- Strategic cooperation with foreign compressor manufacturer to complete the R&D of the first 20-Ft skid-mounted diaphragm compressor.

- Develop the trail model of small-scale distributed power-heat system for demonstration usage on hydrogen-powered buildings.

- Completed R&D and trial production of the type 3 on-vehicle hydrogen cylinders for trucks.

- Significant progress has been made in the R&D of liquid hydrogen containers.

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

Sales and Marketing

The Group's clean energy segment has established sales offices in China, Southeast Asia, 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", "CIMC Tank" and "Cryobest", 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". Hydrogen energy products and project engineering services are sold and provided mainly under the owned brands of "Enric" and "CIMC Hydrogen Energy". The Intelligent IOT platforms are sold primarily under the brand name "Anjiehui". Our customers are renowned domestic and overseas companies such as PetroChina, Sinopec, China Energy Group, ENN Group, Shenzhen Gas, China Resources Gas, Towngas China, Sinotruk, Dongfeng Motor, Foton Daimler, Faw Group, Avenir LNG and Wartsila.

Customer 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 point-to-point services to customers on a 7x24 basis, assuring timely delivery of after-sales services and technical support.

In January 2021, the CIMC Enric Shaanxi Integrated Service Station was officially commissioned. The station has fully-equipped workshops to provide services in Shaanxi Province as well as its neighboring regions. High-pressure, low-pressure and cryogenic products, refilling station and gasification station sold by CIMC Enric are the key objects to be served. The station can provide safe, professional, efficient and one-stop after-sales services to customers. Apart from the CIMC Enric Shaanxi Integrated Service Station, 3 integrated service stations have also been built and commissioned in Rudong, Liaoning and Xinjiang respectively. In future, CIMC Enric targets to build 5 additional integrated service stations in East China, Zhejiang, Shandong, Inner Mongolia and Sichuan, in order to coordinate, integrate and share the existing servicing resources of the member enterprises under the Group and develop a nationwide service network to provide customers with professional after-sales services for the full life cycle of the full range of CIMC Enric products.

CHEMICAL AND ENVIRONMENTAL

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. 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. In 2020, the global chemical industry suffered a setback under the effect of the pandemic, resulting in a significant decline in sales of chemical tank container in 2020. Despite market uncertainties in the short term, however, in the long run, with replacement and upgrade of conventional transportation mode for chemical industry, as well as growing awareness of safety, eco-friendliness and high efficiency of transportation of dangerous goods, demand for tank containers in the emerging markets will increase, providing a growth momentum for the development of global tank container market. Further, as the number of new chemical mediators and derivatives continue to emerge in line with the development of chemical industry, a relatively significant growth in special tank container market can be expected. In conclusion, the chemical logistic industry desires a more cleaner, safer, more economical and smarter kind of equipment and solutions.

In 2020, overall demand for tank container has plunged due to the impacts of the global outbreak of COVID-19, further deteriorating competitive landscape in the market. As tank container manufacturing is going through an industry reshuffle and a substantial shrinkage in business volume of our competitors at home and abroad is inevitable, this segment has to withstand short-term pressure, but our market position will be further consolidated in the long run. Meanwhile, the rapid advancement of the "Belt and Road" national strategy by the Chinese government, the relocation of chemical industrial parks, the tightened regulation and the trend of a more standardised operation of chemical logistic industry in China has brought tremendous development opportunities. We will continue expanding our global network to provide after-sales services, which is favourable in enhancing the integrated competitiveness of our core business of chemical tank container.

As China's environmental protection policies become more stringent, development of the industries dealing with water pollution, air pollution and solid waste have been expedited, encouraging the development of the overall environmental protection industry. In addition, escalating effort has been putting in maintaining clean water, dealing with air pollution, soil pollution and industrial solid wastes by the government in China for years, providing on-going favourable factors for the development of enterprises engaged in environmental related sector.

This segment endeavours to enter the environmental protection industry – an emerging industry that integrates equipment manufacturing, engineering and operation services and is closely related to the national economy and the people's livelihood. In recent years, the society as a whole has shown more sophisticated understanding of environmental protection and the development of ecological civilisation, and the concept of "lucid waters and lush mountains being invaluable assets" has been well advocated among the public. The Chinese government has actively launched a series of policy encouraging the development of environmental protection industry to facilitate the overall eco-friendly transformation of economic and social development. According to the forecasts made in the "Report on the Market Prospect and Investment Strategy Planning of China Environmental Protection Equipment Industry" published by Forward Industry Research Institute ("前瞻產業研究院"), the market size of China's environmental protection equipment manufacturing industry will reach RMB1,502.8 billion by 2025. 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. At present, there is an enormous gap between the actual volume of industrial waste generated and the disposal capacity in China. Hence, companies with specialised processing capabilities and qualifications are very much in demand. The "Newly Amended Law of the Peoples Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste" that came into effect on 1 September 2020. The revision creates a series of new obligations on waste generators; increases monetary penalties for noncompliance; and adds other types of penalties for violations. The system of "Penalty of Household Waste Disposal" and the "Legal Liability of Waste Generators" has been enforced and there is clear legal basis for environmental protection in China, encouraging more investment in environmental protection by traditional manufacturing industries and bigger market for the related industry.

Policies Relating to Tank Container Industry

Date	Authority	Event/Document	Key content
April 2017	NDRC, Ministry of Transport and China Railway Corporation	"13th FYP" for the Development of Tank Container Intermodal Transportation on Railway"	Expressly calling for upgrade of traditional railway facilities and equipment to enhance standardization in terms of logistic equipment and facilities, pushing the development of 20-ft and 40-ft international standard tank containers, driving applications of special containers such as refrigerated container swapbody tank container, and container for dry and bulk cargoes.
November 2019	Ministry of Transport	"Administrative Regulations on the Land Transport of Hazardous Cargoes"	Encouraging integrated and specialised operation by logistic companies in term of hazardous goods on-road transportation. Encouraging the use of dedicated vehicles such as box cars, tank container and special containers.
May 2020	NDRC and Ministry of Transport	"Implementation Opinion on Further Reducing Logistics Cost"	Enhancing convergence with international standards in line with the requirements of intermodal transportation. Promoting the application of inland containers.

Policies Relating to the Environmental Protection Industry

Date	Authority	Event/Document	Key content
May 2018	Ministry of Ecology and Environment	National Convention on Ecology and Environmental Protection	General Secretary Xi Jinping delivered speech 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 protection industry.
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, household waste treatment, hazardous waste disposal and solid waste disposal. Inviting more private capital into the ecological protection sector.
December 2018	State Council	"Pilot Construction plan of "Zero-waste City"	Minimising the volume of wastes at the beginning when they are generated, reducing landfill waste and promoting the comprehensive utilisation of resources.
March 2020	CPC Central Office and State Council General Office	"Guiding Opinion on the Establishment of a Modern Environmental Governance System"	Enhancing proprietary innovation of critical environmental protection technologies and products to facilitate first set of demonstration applications and to improve the technical level of the industry at a faster pace. Helping enterprises grow in size and quality and incubating a group of specialized backbone enterprises and offering assistance to a selected group of premium, specialized small and medium enterprises.

Date	Authority	Event/Document	Key content
September 2020	13th National People's Congress	"Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused By Solid Waste" (2020)	Creating a series of new obligations on waste generators; increases monetary penalties for noncompliance; and adds other types of penalties for violations. The system of "Legal Liability of Waste Generators" has been enforced.
October 2020	Fifth Plenary Session of the 19th CPC Central Committee	Communique on the National "14th Five-Year" Plan	To continue to fight the battle against pollution with intensive effort, persisting in the stated direction without sparing effort and extending in depth and breadth in ongoing actions for the prevention and treatment of pollution.

Business Review

The chemical and environmental segment claims 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 and powder tank containers. We are world-leading in tank container industry with the largest production capacity, most complete and comprehensive product portfolio, and most extensive service chain. In 2020, the global economy suffered from the COVID-19 and complex and volatile international situation. As a specialised sub-sector market of the logistics industry, the tank container business was inevitably affected by the macro-environment.

In 2020, under the impact of the pandemic and the global economic downturn, the segment has purposefully applied cost driver analysis, enhancing overall budget management for effective cost control. Despite intensive market competition, we strived to maintain prestigious market position, as "CIMC Tank" has been the bestselling tank container in the global market for 17 years consecutively, according to International Tank Container Organisation (ITCO) statistics.

In addition, the segment has accelerated its expansion from manufacturer to service provider, attempting to develop after-sales services and intelligent product business. At the beginning of 2020, the segment successfully acquired all the intellectual property rights and trade names of UBH in the UK and established an engineering and customer support centre in the UK, consolidating segment's industrial leading position in global tank container market in fields such as research and development, quality management, and customer service. Moreover, the segment successfully achieved profit at Jiaxing Depot, the segment's first tank depot in China has realized profit, while establishing its presence in Jinshan National Petrochemical Industrial Park in Shanghai to groom opportunities for future business growth. Meanwhile, the segment has eagerly promoted the application of Internet of Things technology to tank containers by launching integrated intelligent platform, "Tankmiles", that combined smart sensor, digital display terminals and operating platform in one platform, 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, and Trifleet. The platform has served over 30,000 visits by the clients by the end of 2020.

As to the newly-entered environmental business, the segment has obtained environmental engineering and safety licensing qualifications during the year. The segment's first cooperative project in integrated utilisation of hazardous waste was official commissioned in the fourth quarter of 2020, providing the foundation for expansion in the business of environmental protection equipment and ancillary services. Equipment sales of evaporators, desulphurization and denitration and the provision of service such as VOC treatment has been recognised by clients during the year, facilitating client's technological upgrade and conversion projects.

Operational Performance

Revenue from the chemical and environmental segment declined by 40.1% to RMB2,026,944,000 (2019: RMB3,385,706,000). As global economic recovery slows under the spread of the pandemic, the normal operation of global trade has been affected, and the global chemical industry suffered a setback. The above factors coupled with the rapid growth in global sales of tank containers have resulted in a considerable impact on the 2020 results of the segment. Nevertheless, recent shortage of marine containers implies the recovery of tank container market is just around the corner. To conclude, the Company is optimistic about the overall growth prospect of the tank container industry in the long term. The segment made up 16.5% of the Group's total revenue (2019: 24.6%).

Future plans and strategies

The rates of container shipping have been rising following the recent recovery in global trade. Marine containers are in extremely high demand and the recovery of the niche market of tank container should be at the corner. On top of reinforcing its position in the overseas market, the segment is also engaged in in-depth R&D of tank container products catered to the China market, in an active bid to meet demands arising from the capacity expansion of domestic chemical enterprises and centralisation of chemical parks. Intensive and safety management for chemical goods can be realised with the deployment of our product "CIMC Tank" complemented by "Tankmiles" intelligent monitoring system.

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 road tankers, drums or flaxi bags, the penetration rate of tank containers in China is substantially lower than that in Europe and America. With the tightening requirements on safety of transportation of hazardous chemicals by Chinese government over the past few years as well as increasing awareness of environmental protection 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 infrastructures 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 been engaged in long-term strategic cooperation with well-renowned customers in China, such as China Railway Tielong Container Logistics Co. Ltd. and Milkyway Chemical Supply Chain Service Co., Ltd., to promote the use of tank containers and intermodal transportation in China, advancing the role of tank container in development of green logistics.

The chemical and environmental segment of the Group will continue to enhance R&D and market development. On top of assuring our leading position in tank containers, we will endeavour to expand application scenarios of tank container. Through development of partnerships with customers on all fronts throughout the entire service cycle, upgrade of manufacturing capacity of production lines, modalized operation and lean management, we have further bolstered the integrated competitiveness of our tank container business and reinforced our leading position in the global market. While reinforcing the tank equipment manufacturing business, the segment will also actively strive to incorporate intelligent features into its products, aiming to help customers enhance their digital operation and enhance their operating efficiency to realise smart logistics with the use of Internet of Things. Meanwhile, we will focus on building the capability to provide value added after-sales services to customers, with the aim of improving customer experience and boosting customers' satisfaction and loyalty.

The environmental industry, which the segment is entering, is an emerging industry that integrates equipment manufacturing, engineering and operation services. It has large market potentials and considerable profitability. In particular, the area of industrial solid waste recycling and comprehensive utilisation, which has high entry barrier in terms of technology and qualification, presents an enormous potential for development. With the support of a range of environmental protection policies and on the foundation of our core capacity in equipment manufacturing, the segment will take technological invention in environmental protection sector as the core competitive strength and hazardous waste disposal business as the key development orientation, to build up its capacity in whole-industry-chain. The segment would expand towards two business dimensions of "waste recycling + ecological environmental service" and engage in large-scale, standardised and intensive operations to strive for a leaping development in the environmental business.

Research and Development

The chemical and environmental segment endeavours to provide customers with new logistics solutions and different types of tank containers. Products successfully developed in 2020 included the large capacity heat-safe tank containers, new generation of Swapbody tank containers, ultra large sized tank containers and China Railway dedicated tank containers of hazardous chemical goods. In tandem with the rapid global development of 5G information technology, we have set up a brand-new production line for high-end lining tank for electronic-grade and semiconductor high-purity chemicals. The TPED gas containers were successfully delivered and the 45-ft swapbody tank containers were exported to Europe in volumes during the year, receiving strong commendation from major international chemicals groups. New equipment of "super pure ammonia mobile gas supply system", which has been developed based on electromagnetic heating technology, has been successfully delivered to a leading international chip manufacturer. The new product portfolio has satisfied the diverse demands of customers and enabled us to maintain leading position in the tank container industry.

The segment is also committed to the development of intelligent tank containers. With further upgrades to the "Tankmiles", an IOT based information platform, the inter-connection of information flow and logistic flow is facilitated through the connection of equipment and reciprocal data collection, resulting in an improved operating efficiency for the tank containers as well as a safe, Intelligent and transparent tank container supervision and management. The segment also reported a growing maturity in its intelligent electric heating technology, as its intelligent temperature control system products were well recognised by the market due to their reliability.

The segment was also dedicated to the continuing innovation in the functionality and structure of tank containers. In order to make sure that our tank containers were to be compatible with certain chemicals that are temperature-sensitive or highly corrosive, we had made consistent efforts in improving the construction engineering in the interior lining of tanks. We had been successful in applying in-house such linings as various coatings, rubber and PTFE. In addition, eco-friendly insulation materials such as VOC coating were also developed with significant breakthrough and efforts were made in the ongoing upgrade and conversion of production lines with high standards in streamlining, automation and digitalisation. The production efficiency was improved and the working pressure of staff was relieved. Improvements were made to the workplace environment to facilitate safe and eco-friendly production in fulfilment of the Company's social responsibility.

In connection with the ongoing project "Dream 6 D", the segment has nearly achieved an integration of product lifecycle management (PLM) and manufacturing execution system (MES) and completed key upgrades in automation and digitalisation to enhance our informatisation standard and equipment automation standard. While achieving the increase in efficiency, we have also improved the workplace environment for staff to provide further protection for staff while ensuring our dominant capacity. We had done very well on intelligent applications.

Sales & Marketing

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

Customer Service

The chemical and environmental segment places a particular emphasis on full-life-cycle service for tank containers. While strengthening its equipment manufacturing business, the segment has also been engaged in vigorous expansion through the development of after-sales networks to provide customers with supply of parts and components, repair services, renovation and conversion on a global basis. In early 2020, the segment established an engineering and customer support centre in the UK to further enrich its global servicing capability and operating network and reinforce its leading position in the global tank container industry. In the meantime, it has also enhanced the development of its "IOT + tank container" business by launching "Tankmile", 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 assist in the intelligent management of customers' tank container operations.

LIQUID FOOD

Beer processing system equipment

McMillan copper pot stills for the distilled spirits industry

Cargo tanks for fruit juice

Brewhouse Plant

Industry Overview

The liquid food industry comprises several markets, including beer, distilled spirits, fruit juice, dairy and other liquid food. In recent years, the liquid foods industry has been growing fast due to steady growth in population, increasing global prosperity, rising living standards and improving awareness of food safety and health. The Group's liquid food business is well positioned in the industry and management sees further opportunities for growth in long term, even taking the short-term effects of the Covid-19 pandemic into account.

The rise in consumer spending on health conscious ("no sugar, no carbs and low calories") and quality beverages are driving the innovation in the market for liquid foods processing equipment. According to the research report *Global Beverage Processing Equipment Market 2020 by Manufacturers, Regions, Type and Application, Forecast to 2025*, the global beverage processing equipment market size is expected to reach US$24.3 billion by 2025. Especially, the Asia-Pacific market sees significant opportunities for development of beverage processing equipment, among other regions, holding high potential for new business growth.

Business Review

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. Through years of mergers and acquisitions and diligent operations, this segment's business has gradually realized a diversified layout. Nowadays, the segment specializes in the engineering, manufacture and sale of stainless-steel tanks for storage and processing of liquid food such as beer, distilled liquor, fruit juice and dairy products; and the provision of engineering, procurement, and construction services for the brewery industry as well as other liquid food industries.

In 2020, due to the spread of the COVID-19 pandemic, the production and operations of certain overseas subsidiaries had been significantly affected. The liquid food segment operates globally, therefore some of its engineering project has a short delay during the year. In addition, this segment also needs to invest additional resources in epidemic prevention and control, which had a certain negative impact on the segment's result. The liquid food segment has put appropriate actions and optimization measures in place to mitigate these impact, and business performance improved in the second half of the year. We expect the consequences of COVID-19 may last for more than a year or even longer. The craft beer market is particularly hit by the epidemic because it is close to the end consumer market. However, the management believes that with the current global vaccination programs, a slow return to normal business can be reached within 2 years.

Our clients are also confident about the prospects of the liquid food industry. Even though 2020 is full of challenges, we have been awarded three significant contracts by the fourth quarter 2021 including one brewery expansion project and two projects for construction & implementation of hard seltzer plants in west hemisphere market. The overall amount for three projects awarded exceeds USD200 million. In addition, the development of new markets such as Baijiu and sparking water was ongoing and secured interim orders from these sectors.

With the integration of Briggs into the Group in 2016, the liquid food segment continued expansion and completed the acquisition of McMillan Coppersmiths & Fabricators Ltd, a leading provider of Scottish copper stills, in April 2020. The acquisition has enabled the segment to fully claim the supply chain of distillation equipment industry and become the No.1 supplier worldwide in the distilled spirits industry. The 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.

Operational Performance

Revenue from the liquid food segment decreased mildly by 11.3% to RMB2,727,872,000 (2019: RMB3,076,961,000) for the year, as the pandemic had resulted in temporary delays in the construction of liquid food infrastructure. However, sub-segments such as spirits, dairy products and condiments remains active, as relevant infrastructure investment was stable during the year, providing support for the growth of the liquid food segment. The segment accounted for 22.2% of the Group's total revenue (2019: 22.4%).

Future Plans and Strategies

In the future, the liquid food segment will focus on global expansion, and further strengthen its competitive advantage in the brewery equipment business by utilising its core technology to enhance the development of EPC and turnkey services. The segment strives to maintain and consolidate its position as a leading player in the brewery, distilling and fruit juice markets, aspiring to become a global leader in various liquid food industries.

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

Research and Development

The liquid food segment persists in innovation-driven development and delivers maximum value to customers by providing them with the most competitive equipment and engineering technology solutions, such as research and development of CO_2 recovering system, wine separation system and hops drying equipment. The segment has been continuously conducting research on enhancement of automatic control and energy efficiency of beer equipment, as well as the application of brewery equipment in the drenching vinegar sector and the application of nano-membrane in brewing. We are also focused on the development of more efficient means in the consumption of water, energy, and other resources to achieve production cost savings for customers.

The DME business acquired in 2019 has provided concrete support for the segment's development in the premium brewing business. As a leading designer and manufacturer of equipment for the craft brewing sector in North America, DME Group has an immense accumulation of technologies in various sectors including craft beer, distilled liquor, fermentation, and pharmaceutical industry.

The recent acquisition of McMillan in 2020 has further strengthened our ability in design and supply of copper pot stills and stainless-steel processing equipment. The segment will continue to conduct research and development of distilling system for different kinds of liquor, such as whisky, gin and rum, targeting to serve China, Europe, North America, and Japan market. With the upgrade and generational replacement of equipment for production of Chinese Baijiu, the segment has conducted technology and product R&D relating to Baijiu production to make technical reserves for development of the Baijiu industry in China.

In addition to developing markets of beer and distilled liquor, the segment has also endeavoured to expand business to sectors such as fruit juice, beverage, dairy products, daily chemical products, and biomedicine by utilising existing technologies.

Sales and Marketing

The liquid food segment is one of the world's largest manufacturer of tanks and process equipment, with subsidiaries across China, Germany, Belgium and the UK, as well as representative offices in the US, Colombia, Vietnam and so on. Whether it involves beverage or liquid food industries, we can offer complete storage and process equipment worldwide, under the brand of "Ziemann Holvrieka", "Briggs", "DME", "NSI" and "McMillan". Major customers include global well-known beer companies, and customers from non-beer industry.

Customer Service

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 realize 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 are delivered on a project or case-to-case basis.

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 full respect and appreciation for intellectual properties, the Group possesses certain patented technologies in a number of countries to protect its invention and know-how. As at 31 December 2020, the Group held exclusive rights to over 970 patents, including over 120 invention patents and 19 patents franchised by foreign parties. During 2020, we've also obtained 2 China Patent Excellence Awards. The high standard of our technological innovation has been underscored by the increasing percentage share by the year of our applications for invention patents.

Cost Control

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

1. In 2020, we were 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 also launched a lean enhancement and empowerment programme for all employees to promote the lean improvement concept among our staff.

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

3. Against the general backdrop of nationwide green development, vigorous efforts were made in the inspection and rectification relating to HSE compliance with a special focus on improvements to the lifting operation and the formation of a dedicated HSE team, in order to build a "healthy, pleasant, harmonious and decent" workplace. In connection with green energy conservation, the Group commenced a total of 43 energy conservation and green development projects during 2020, saving cost of approximately RMB6 million.

4. Focused efforts were made to drive production sales coordination for key products as well as improvements in external and internal benchmarking. During 2020, the Group carried out 10 cost benchmarking projects for key products and launched 47 topics on profitability enhancement, resulting in cost saving of approximately RMB27.80 million and improvements in the gross profit margin of certain products. Meanwhile, we were actively investigating the product line operating model, with a view to enhancing our overall competitiveness.

5. We made ongoing initiatives to optimise and improve our supplier management regime and persisted in maintaining multiple suppliers of 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. The Company has been closely monitoring recent price fluctuations in the steel market and has enhanced procurement cost management by matching the prices of products and steel materials as well as locking down steel prices in advance. In 2020, we achieved cost savings of close to RMB80 million.

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 reforms in procurement organisational management.

7. With the installation of enterprise resource planning (the "ERP") software system, we continued to promote and optimize the SRM system and conducted pilot implementation of online tender management to improve efficiency.

The Group achieved sound results in cost reduction in 2020. We will continue to closely monitor and improve production costs based on the lean improvement concept in 2021.

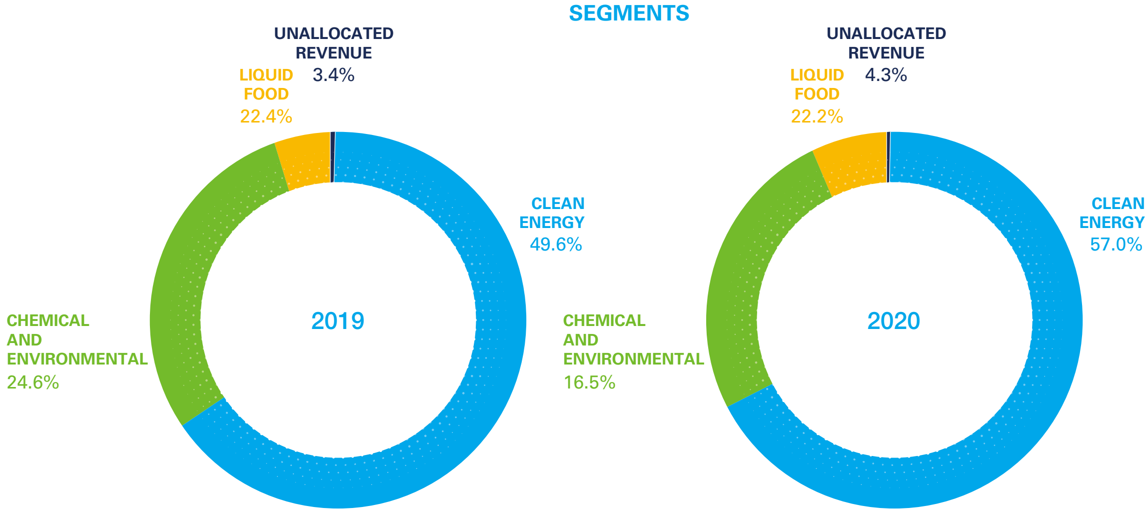
Capital Expenditure

In 2020, the Group invested RMB493,297,000 (2019: RMB628,590,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The clean energy segment, chemical and environmental segment and liquid food segment invested RMB162,213,000, RMB113,538,000 and RMB73,213,000 respectively (2019: RMB391,044,000, RMB71,497,000 and RMB52,015,000 respectively) in capital expenditure during the year. In addition, the Group had capital expenditure of RMB144,333,000 (2019: RMB114,034,000) that was not specific to any of the three business segments.

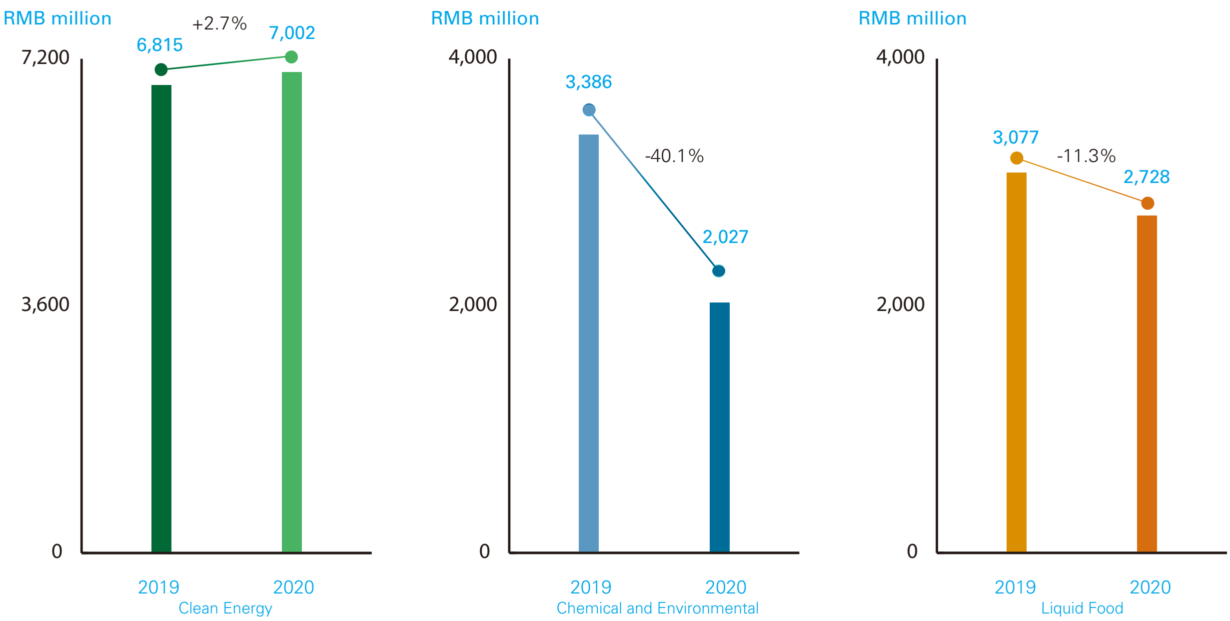
Other Revenue

Other revenue totalling RMB225,868,000 in 2020 (2019: RMB243,845,000) consisted of bank interest income, government grants and other operating revenue. The decrease in other revenue during the year was mainly caused by a fall in revenue from sale of scrap metals.

SALES BY BUSINESS SEGMENTS



Segment Revenue



Selling Expenses

Selling expenses decreased by 21.3% to RMB283,205,000 (2019: RMB359,902,000). 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 reduced level of promotional activities and business travelling caused by COVID-19.

Administrative Expenses

Administrative expenses rose by 11.0% to RMB1,233,352,000 (2019: RMB1,111,564,000) which was mainly due to the increase in salaries and wages, research and development spending as well as increased amount of impairment provision on goodwill.

Impairment Loss on Financial Assets

Impairment loss on financial assets increased to RMB128,562,000 (2019: RMB71,569,000) as the Group has taken a more prudent approach in assessing the recoverability of trade receivables in light of COVID-19.

Other Net Income

Other net income of RMB112,775,000 in 2020 (2019: RMB82,369,000) comprised write-back of restructuring liabilities, foreign exchange loss, gain on settlement of derivative financial instruments, compensation received, write-back of payables and advances from customers, loss on disposal of property, plant and equipment, charitable donations and various miscellaneous income. The increased in other net income in 2020 was mainly due to the write-back of restructuring liabilities. The Group wrote back restructuring liabilities of RMB113,564,000 (2019: RMB46,614,000) in relation to the bankruptcy restructuring of a subsidiary (prior to its acquisition by the Group) since the Group was no longer legal obliged to settle those liabilities. While the gain on settlement of derivative financial instruments during 2020 has largely offset the foreign exchange loss.

Finance Costs

During 2020, finance costs declined by 28.0% to RMB44,730,000 (2019: RMB62,132,000). Finance costs mainly comprised interest on bank loans and other loans from related parties of RMB35,012,000 (2019: RMB49,029,000). The fall of interest expenses was mainly due to the reduced level of bank loans and loans from related parties during the year.

Taxation

Tax expenses for the Group rose by 12.3 % to RMB207,051,000 in 2020 (2019: RMB184,407,000). This rise was mainly due to increase profit contribution from its European subsidiaries whose corporate income tax rates range from 19% to 30% which are relatively higher than corresponding rates from 15% to 25% for the Group's subsidiaries in China.

Employees and Remuneration Policies

As at 31 December 2020, the total number of employees of the Group was approximately 9,900 (2019: approximately 9,900). Total staff costs (including Directors' emoluments retirement benefits scheme contributions and equity-settled share-based payment expenses) were approximately RMB1,632,381,000 (2019: RMB1,711,060,000).

For the year of 2020, the Company adopted the Share Award Scheme 2020 (the "Scheme") with the intention to (a) provide employees and other eligible participants with an opportunity to own shares in the Company thereby aligning their interests with that of the Company's shareholders; (b) motivate employees and other eligible participants to benefit from value enhancement through attainment of performance targets; and (c) encourage and retain employees and other eligible participants to contribute to the long-term and sustainable growth of the Group. The Scheme forms part of the overall incentive plan for the employees of the Group and the shares to be granted under the Scheme shall be in lieu of part of the cash bonus awarded under the overall incentive plan. 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 2020, the cash and cash equivalents of the Group amounted to RMB2,560,890,000 (2019: RMB2,534,752,000). A portion of the Group's bank deposits totalling RMB309,498,000 (2019: RMB257,029,000), 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 2020, the Group's bank loans and overdrafts amounted to RMB295,937,000 (2019: RMB808,099,000) and other than the three-year bank loans, the remaining are repayable within one year. Apart from the USD-denominated syndicated bank loan and the HKD-denominated loans that bear interest at floating rates, the overall bank loans bear interest at rates from 1.75% to 4.5% per annum. At 31 December 2020, the Group did not have any secured bank loan (2019: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2019: nil). As at 31 December 2020, loans from related parties amounted to RMB667,506,000 (2019: RMB186,402,000), which are unsecured, interest bearing from 3.8% to 4.75% (2019: 4.20% to 5.44%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2019: zero times) as the Group retained a net cash balance of RMB1,857,297,000 (2019: RMB1,737,239,000). The rise in net cash balance was mainly attributable to an increase in operating cash inflow and fall in both investing and financing outflow during the year. The Group's interest coverage was 23.1 times for the year (2019: 23.1 times), which represents an improvement that was mainly due to a higher operating profit and a lower interest expense comparing with the previous year. Certainly, the Group's profit from operation and strong operating cash flow demonstrate that the Group is fully capable of meeting its interest expense commitments.

During 2020, net cash generated from operating activities amounted to RMB960,082,000 (2019: RMB861,545,000). The Group drew bank loans and loans from related parties totaling RMB3,126,913,000 (2019: RMB997,268,000) and repaid RMB3,131,552,000 (2019:RMB1,470,208,000). 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 2020 were RMB1,240,000 (2019: RMB45,920,000). In 2020, a final dividend of approximately RMB364,380,000 (2019: RMB246,109,000 was paid for the financial year 2018) was paid for the financial year of 2019.

	2020 **RMB'000**	2019 RMB'000
Net cash (used in)/ generated from		
– Operating activities	**960,082**	861,545
– Investing activities	**(480,840)**	(550,759)
– Financing activities	**(406,440)**	(703,416)
Total	**72,802**	(392,630)

Assets and liabilities

At 31 December 2020, total assets of the Group amounted to RMB16,074,720,000 (2019: RMB15,900,033,000) while total liabilities were RMB8,603,362,000 (2019: RMB8,515,522,000). The net asset value rose slightly by 1.2% to RMB7,471,358,000 (2019: RMB7,384,511,000) which was mainly attributable to net profit RMB566,208,000 which was partially offset by dividend pay-out of RMB364,380,000 and the consideration of RMB115,454,000 paid for repurchase of the Company's shares under the share award scheme adopted during the year. As a result, the net asset value per share increased from RMB3.673 at 31 December 2019 to RMB3.715 at 31 December 2020.

Contingent liabilities

As at 31 December 2020, the Group had outstanding performance guarantees issued by relevant banks totalling RMB771,653,000 (31 December 2019: RMB369,932,000). Apart from these, the Group did not have other material contingent liabilities.

Future plans for source of funding and capital commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. At the same time, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As at 31 December 2020, the Group had contracted but not provided for capital commitments of RMB40,049,000 (2019: RMB97,062,000). As of 31 December 2020, the Group did not have any authorised but not contracted for capital commitments (31 December 2019: nil).

Foreign exchange exposure

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

Mr. Gao Xiang

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

Mr. Gao, aged 56, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009, was re-designated to be the Chairman of the Board from the General Manger in April 2015, and was re-designated to be a Non-executive Director of the Company in January 2021. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was an assistant to the president of CIMC from 2004 to 2008, was a vice president of CIMC from 2015 to May 2018, was an executive vice president of CIMC from May 2018 to August 2020 and was a director of CIMC from October 2020 to March 2021. He is currently the president of CIMC. He also holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Yang Xiaohu

General Manager and Executive Director, a member of Sustainable Committee

Mr. Yang, aged 46, 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 中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐式儲運設備製造有限公司), a 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, a member of Sustainable Committee

Mr. Yu, aged 55, joined the Group as an Executive Director in September 2007 and was re-designated to be a Non-executive Director on 5 September 2016. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu joined CIMC in 1992, he is currently the vice president and company secretary of CIMC, responsible for investor relations, shareholder relations and financing management. He was a Non-executive Director of CIMC-TianDa Holdings Company Limited from May 2016 to July 2020. He holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Wang Yu

Non-executive Director

Mr. Wang, aged 48, 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. 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 45, was appointed as a Non-executive Director on 18 May 2018. He graduated from Hangzhou Institute of Electronic Engineering with a bachelor's degree in July 1996, and later graduated from Jiangsu University of Science and Technology with a master's degree in management in June 1999. He joined CIMC in 1999 and has successively served as manager of the accounting division of the financial management department, assistant to the general manager, deputy general manager and executive general manager of financial management department. Mr. Zeng is currently the general manager of the financial management department and the chairman of the financial informationization decision-making committee of CIMC. He is a non-executive director of CIMC-TianDa Holdings Company Limited. He also held a concurrent post as manager of the financial department of the Company from 2009 to 2010. Mr. Zeng is a certified public accountant in China. He holds directorships in certain subsidiaries of CIMC and the Company.

Ms. Yien Yu Yu, Catherine

Independent Non-executive Director and chairperson of Audit Committee

Ms. Yien, aged 50, was appointed as an Independent Non-executive Director on 15 October 2018. She graduated from the Imperial College of Science, Technology and Medicine of University of London in England with a Joint Honours Degree in Mathematics with Management (BSc Hons). Ms. Yien was an independent non-executive director of ENN Energy Holdings Limited (shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited) from September 2004 to May 2016, and has been re-appointed as independent non-executive director of ENN Energy Holdings Limited on 30 November 2018. She is currently a managing director of Rothschild & Co Hong Kong Limited, a Deputy Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited 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 60, 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 solicitor of England and Wales (non-practising), 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 lawyer of Tsang, Chan & Wong Solicitors & Noraries and specialises in Hong Kong and China cross-border commercial legal services. He is also vice president of association of China-Appointed Attesting Officers Limited and an honorary legal adviser of The Hong Kong Real Estate Association.

Mr. Zhang Xueqian

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

Mr. Zhang, aged 71, 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, a member of Audit Committee and Nomination Committee

Mr. Wang, aged 69, was appointed as an Independent Non-executive Director on 1 October 2018. He graduated from Fudan University (復旦大學), majoring in finance (correspondence course) in 1996 and completed the postgraduate study in finance at Beijing Technology and Business University in 2002. He is a registered accountant in the People's Republic of China (senior accountant). Mr. Wang was the deputy chief of the financial department of Dalian Maritime University from 1994 to 1995. Mr. Wang joined the head office of China Ocean Shipping (Group) Company (now known as China Cosco Shipping Corporation Limited) in 1995 and served as deputy general manager of supervisory department and head of auditing department; served as chief accountant of the head office of China Ocean Shipping Agency from 2000 to 2001; and served as chief accountant of Cosco Dalian Ocean Shipping Company from 2002, and retired in 2011. He was seconded to the supervisory board of the State Council from December 2001 for one year. Mr. Wang was also the deputy general secretary of China Institute of Internal Audit Transportation Branch from September 2011 to October 2014. He is currently the managing director of China Institute of Internal Audit and president of China Institute of Internal Audit Transportation Branch. Mr. Wang has won the 2006 China Excellent CFO Award.

Senior Management

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 53, 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 44, was appointed as a deputy general manager of the Company in January 2016. He graduated from 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. Ju Xiaofeng

Deputy General Manager

Mr. Ju, aged 52, was appointed as deputy general manager of the Company in January 2021. He gradated from Nantong University, majoring in mechanical design and obtained master degree of MBA of Nanjing University of Science & Technology. Mr. Ju worked in Nantong Motor Factory from the period of 1989 to 1997. He joined the Group in March 1997 and served as deputy manager of production department and manager of enterprise management department of CIMC Nantong base, manager of enterprise management department of Taicang CIMC, general manager of enterprise management department of the Company, assistant to general manager and chief operation officer, and concurrently served as the general manager of the company's energy equipment and engineering business center since 2020. He was deputy general manager and executive deputy general manager of 中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐儲運設備製造有限公司), a subsidiary of the Company from the period of 2012 to 2014, and general manager of Nantong CIMC Energy Equipment Co., Ltd, a subsidiary of the Company from the period of 2015 to 2016. Mr. Ju served as vice president of China Industrial Gas Association. He also holds directorships in the certain subsidiaries of the Company.

Mr. Ko Brink

Deputy General Manager

Mr. Ko Brink, aged 54, 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 49, 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.

CORPORATE GOVERNANCE REPORT

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

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

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

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

Throughout the year ended 31 December 2020, 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 2020 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 2019 and 2020, and for the six months ended 30 June 2021 respectively;
- reviewed the effectiveness of risk management and internal control systems taken by the Group;
- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- approved the adoption of share award scheme 2020; an initial budget of HK$160 million to purchase no more than 2% of the issued shares of the Company as incentive to eligible participants;
- approved the publication of voluntary announcements in relation to the litigation;
- approved the adoption of equity incentive scheme of a subsidiary and connected transaction in relation to the capital increase of a subsidiary;

Board of Directors *(Continued)*

The board *(Continued)*

- approved spin-off and separate A-share listing of CIMC Safeway Technologies Co., Ltd.;

- approved re-designation of the director.

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 2020 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 2019 and 2020 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/she is advised of the matters to be discussed and encouraged to express his/her views to the Chairman or the Company Secretary (or his assistant) prior to the meeting.

The Chairman of the Company had met with Non-executive Directors (including Independent Non-executive Directors) from time to time without the Executive Director present during the year 2020.

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 more than one-third of the Board, bringing in a sufficient independent voice. The other members are one Executive Director and four Non-executive Directors.

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

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, corporate finance, economics, academic, management and industry expertise. It brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 41 to 44 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 2020 and in 2021 (up to the date of this report) are set out in the paragraph headed "Director's attendance" in this section.

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

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

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

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

Each Director is required to confirm with the Company in writing, twice a year, that he has complied with the Model Code. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2020.

Board of Directors *(Continued)*

Director's attendance

	No. of meetings attended during 2020					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General meetings
Non-executive Director						
Mr. Gao Xiang *(Chairman)*	7/7	–	–	1/1	–	1/1
Executive Director						
Mr. Yang Xiaohu *(General Manager)*	7/7	–	–	–	–	1/1
Non-executive Directors						
Mr. Yu Yuqun	7/7	–	–	–	–	0/1
Mr. Wang Yu	7/7	4/4	–	–	–	0/1
Mr. Zeng Han	7/7	4/4	2/2	–	–	0/1
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	7/7	3/4	–	–	–	1/1
Mr. Tsui Kei Pang	7/7	4/4	2/2	–	–	1/1
Mr. Zhang Xueqian	7/7	4/4	2/2	1/1	–	0/1
Mr. Wang Caiyong	7/7	4/4	–	1/1	–	0/1

	No. of meetings attended during 1 January 2021 to the date of this report					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General meetings
Non-executive Directors						
Mr. Gao Xiang *(Chairman)*	3/3	–	–	1/1	–	–
Executive Director						
Mr. Yang Xiaohu *(General Manager)*	3/3	–	–	–	–	–
Non-executive Directors						
Mr. Yu Yuqun	3/3	–	–	–	–	–
Mr. Wang Yu	3/3	–	–	–	–	–
Mr. Zeng Han	3/3	–	1/1	–	–	–
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	3/3	3/3	–	–	–	–
Mr. Tsui Kei Pang	3/3	3/3	1/1	–	–	–
Mr. Zhang Xueqian	3/3	3/3	1/1	1/1	–	–
Mr. Wang Caiyong	3/3	3/3	–	1/1	–	–

Note 1: With effect from 1 January 2021, Mr. Gao Xiang has been re-designed as a Non-executive Director of the Company.

Note 2: Sustainable Committee was established in December 2020.

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 new opportunities of the Group.

In 2020 and up to the date of this Report, the Company organised one seminar for the Directors relating to Interpretation and suggestions on the development trend of ESG and the new ESG regulations of the Hong Kong Stock Exchange. 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 via online meeting. 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 2020 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 Director 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 Director and senior management. The Company has established the "Director and Senior Management Remuneration Policy", a formal and transparent procedure for fixing remuneration packages of all Directors and senior management of the Company. The committee will review such policy periodically, and consult the Chairman and/or General Manager regarding proposed remuneration of other Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors in formal or informal meetings. No person shall be involved in deciding his own remuneration.

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

Details of Directors' remuneration for the two years ended 31 December 2020 and 2019 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 2020:

	Number of individuals
HKD2,000,001 – HKD2,500,000	4
HKD2,500,001 – HKD3,000,000	1
HKD3,000,001 – HKD3,500,000	–

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 corporate finance 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 2020, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2020;
- 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 2019 and the six months ended 30 June 2020, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2019, and the interim results for the six months ended 30 June 2020 with the external auditor;
- the continuing connected transactions of the Group during 2020 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 or advices and the management's response thereto; and
- the effectiveness of risk management and internal control systems of the Group for 2020.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Audit Committee *(Continued)*

In 2020 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 2020	738
Audit of the Group's financial statements for the year ended 31 December 2020	7,051
Other services	1,767
Total	9,556

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2020 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 2020, 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 and the other Directors (except the members of the Remuneration Committee), and reviewed equity incentive scheme of a subsidiary during 2020.

Delegation by the Board *(Continued)*

Board committees *(Continued)*

Nomination Committee

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

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

In 2020, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- considered the need for identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of Independent Non-executive Directors;
- reported to the Board on re-appointment of Directors and the succession planning for Directors, in particular for the chairman of the Board and the General Manager;
- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2020, and made recommendation to the Board.

Sustainable Committee

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

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

In 2020, the Sustainable Committee was established and adopted the articles and association and terms of references of Sustainable Committee.

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 44 under the section headed "Directors and Senior Management" and on the Company's website. During 2020, 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, 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 65. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 81.

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 legal affairs and internal audit department. The outcome of any investigation and follow-up action of all legitimate allegations will be reported to the Board by the legal affairs and internal audit department.

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 2020.

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 auditor's 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 2020

In 2020, the Company held one general meetings, being AGM.

The AGM was held on 29 May 2020 at iPro Financial Press Limited, 46–8, 46/F., The Center, 99 Queen's Road Central, Hong Kong. Seven resolutions were proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. The major resolutions considered and approved included:

- receiving and considering the audited consolidated financial statements, directors' report and independent auditor's report for the year ended 31 December 2019;
- declaration of a final dividend in respect of year 2019 of HKD0.20 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 16 April 2020. 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 2020, 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, 23 March 2021

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

The Group is principally engaged in the design, development, manufacturing, engineering, sales and operation of, and the provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that is widely used for the clean energy, chemical and environmental, and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 22 to the financial statements. A business review and further discussion and analysis of the principal activities can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report, which forms part of this directors' report.

Key financial and business performance indicators

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

The Group's net assets increased by 1.2% to RMB 7,471,358,000 (2019: RMB 7,384,511,000) which was mainly attributable to net profit RMB566,208,000 and capital contribution from exercise of option of RMB 1,240,000, which were partially offset by dividend pay-out of RMB 364,380,000 for the year.

Revenue decreased by 10.6% to RMB 12,289,567,000 (2019: RMB13,743,019,000) which shows the Group's revenue generating ability was adversely affected by the instability of global economy due to COVID-19.

Profit attributable to equity shareholder decreased by 36.3% to RMB 579,923,000 (2019: RMB911,007,000) indicates the Group was less efficient in enhancing equity shareholders' value comparing with last year.

Return on equity fell by 5.5 percentage points to 8.0% (2019: 13.5%) which indicates the Group has fallen in its efficiency in using equity to generate profit.

Gearing ratio decreased from 14.3% in 2019 to 13.6% in 2020 mainly because of a lower amount of total borrowings coupled with an increased level of net assets. This indicates that during 2020 the Group had less reliance on interest bearing debts in financing its business operations and investments when comparing with 2019.

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

Principal Activities and Business Review *(Continued)*

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 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 energy 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 2021.

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.

Principal Activities and Business Review *(Continued)*

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 services to maintain safe and efficient operation of the products for customers.

Suppliers

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

Regulators

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

Shareholders

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

Financial Statements

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

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

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

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

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

The profit of the Group for the year ended 31 December 2020 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 86 to 93.

Dividends and Reserves

The Board is pleased to propose a final dividend in respect of 2020 of HKD0.14 per ordinary share (the "2020 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on 21 May 2021.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 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 2020 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	10.5%	–
Five largest customers in aggregate	20.9%	–
The largest supplier	–	19.1%
Five largest suppliers in aggregate *(Note 1)*	–	32.3%

Notes:

1. One of the top five suppliers of the Group is a company in which CIMC, holding more than 5% of the issued shares of the Company as at 31 December 2020, has substantial interests in its capital. Further details are set out in the section headed "Connected Transactions and Interests in Contracts" in this report.
2. Save as disclosed above, at no time during the year have the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors own 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 41 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB533,000 (2019: RMB105,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 40(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 562,000 shares of the Company, fully paid, were issued for a total consideration of RMB1,240,000.

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

Equity-linked Agreements

Save for the share option scheme of the Company as set out on pages 69 to 74, 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 2020 are set out in note 31 to the financial statements.

Financial Summary

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

Directors

At the date of this report, the Board comprised:

Non-executive Director

Mr. Gao Xiang *(Chairman)**

Executive Director

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. Yu Yuqun, Mr. Zeng Han and Mr. Zhang Xueqian will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 87(1) and 87(2) of the Articles.

* Mr. Gao Xiang has been re-designated from an Executive Director to a Non-executive Director with effect from 1 January 2021.

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 2020, 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	2,000,000	0.10%
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	650,000	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 2020, which was 2,010,994,588.

Save as disclosed above, as at 31 December 2020, 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 2020, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2020, 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)	68.18%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Beneficial owner	1,180,313,211	58.69%
	Interest of 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 2020, which was 2,010,994,588.

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

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

Save as disclosed above, as at 31 December 2020, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

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

On 28 October 2011, the Company granted share options to certain eligible persons to subscribe for a total of 38,200,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 120,000 number of these options were lapsed as at 31 December 2020.

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 1,140,000 number of these options were lapsed as at 31 December 2020.

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

Share Options *(Continued)*

During the year ended 31 December 2020, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2020	granted during the year	exercised during the year	lapsed during the year	transferred to/ from other category	outstanding at 31 December 2020
Directors								
Gao Xiang	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	–	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	28/10/2011	28/10/2013–27/10/2021	200,000	–	–	–	–	200,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yu Yuqun	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			3,300,000	–	–	–	–	3,300,000
Employees	05/06/2014	05/06/2016–04/06/2024	14,002,000	–	(518,000)	(120,000)	–	13,364,000
	05/06/2014	05/06/2016–04/06/2024	26,770,000	–	–	(900,000)	–	25,870,000
Other participants	28/10/2011	28/10/2013–27/10/2021	1,654,000	–	(44,000)	–	–	1,610,000
	05/06/2014	05/06/2016–04/06/2024	4,730,000	–	–	(240,000)	–	4,490,000
Total			50,456,000	–	(562,000)	(1,260,000)	–	48,634,000

Notes:

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

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

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

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

3. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2020 was HKD4.33 per share.

Share Options *(Continued)*

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

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

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

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

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.

Share Options *(Continued)*

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 242,294,608 Shares representing 12.04% of the issued share capital of the Company, are available for grant under the Scheme and New Scheme.

Saved as disclosed above, no options were granted, exercised, lapsed or cancelled for the year ended 31 December 2020.

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.

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

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.

There were a total of 340,000,000 Restricted Shares have been allotted to the Directors of the Company during the year of 2018. The first vesting period had been fulfilled, there were a total of 1,020,000 restricted shares had been vested to the Directors of the Company during the year of 2019. As the vesting conditions of the second vesting period have been fulfilled, there were a total of 1,020,000 Restricted Shares have been vested to the Directors of the Company during the year 2020. There were accumulatively a total of 2,040,000 Restricted Shares vested to the Directors as at 31 December 2020, details of which are as follows:

		Number of Restricted Shares				
Name of Directors	Date of grant	As at 1 January 2020	granted during the year	Vested during the year	As at 31 December 2020	Vesting Period
Gao Xiang	24 August 2018	700,000	–	300,000	400,000	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	840,000	–	360,000	480,000	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	280,000	–	120,000	160,000	26 June 2018 to 25 June 2022
Total		2,380,000	–	1,020,000	1,360,000	

Share Award Scheme 2020

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

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

For the year ended 31 December 2020, no Shares was granted under Award Scheme 2020.

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

Chemical and Environmental Business Unit Equity Incentive Scheme

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

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

Directors' Interests in Competing Business

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

Permitted Indemnity Provision

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

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

Management Contracts

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

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), where SOEG PTE LTD ("SOEG") as plaintiff claimed 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; and (3) bear the costs of the litigation.

江蘇省高級人民法院 (Jiangsu Province High People's Court) decided to transfer the Litigation to 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court) in April 2019. 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court) rendered the Judgment of first instance in June 2020, and the content of issued Civil Judgment (2019) Su 06 Min Chu 464 was (1) dismissed the claims made by SOEG; (2) SOEG should bear the costs of the Litigation of RMB809,330; and (3) to dispute the Judgment, SOEG may within 30 days after the Judgment being served, and Enric Shenzhen may within 15 days after the Judgment being served, file an appeal with 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court). The appeal (if any) will take place at 江蘇省高級人民法院 (Jiangsu Province High People's Court) and the appellant shall make advance payment of court hearing charges at 江蘇省高級人民法院 (Jiangsu Province High People's Court).

Litigation *(Continued)*

SOEG disputed the Judgment of first instance and appealed to 江蘇省高級人民法院 (Jiangsu Province High People's Court). Enric Shenzhen received an appeal of SOEG delivered from 江蘇省南通市中級人民法院 (Jiangsu Province Nantong Intermediate People's Court) in August 2020, where SOEG claims that (1) revocation of the Civil Judgment (2019) Su 06 Min Chu 464; (2)Enric Shenzhen should pay for the remaining balance of the equity transfer of RMB153,456,000; and (3) Enric Shenzhen should bear the costs of the first instance and second instance of the Litigation. The case had been transferred to 江蘇省高級人民法院 (Jiangsu Province High People's Court) for second instance and rendered second instance ruling.

Enric Shenzhen received the Civil Ruling (2020) Su Min Final No. 863 issued to 江蘇省高級人民法院 (Jiangsu Province High People's Court) in December 2020, the appellant SOEG did not make advance payment for court hearing charges at the Court within the specified timeframe, the appeal was treated as automatic withdrawal of appeal. The first instance Judgment shall be legally effective from the date of the ruling served. The ruling is the final decision. Enric Shenzhen has won in the Litigation finally. No provisions for the Litigation has been made in the amounts of the Group in this respect.

The details of the litigation are disclosed in the announcements of the Company dated 31 January 2019, 15 June 2020, 12 August 2020 and 9 December 2020 respectively.

Connected Transactions and Interests in Contracts

Connected transactions and continuing connected transactions subject to annual review

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

On 31 December 2019, the Company entered into Financial Services Framework Agreement (2019) with CIMC Finance Company Ltd. (中集集團財務有限公司, a wholly-owned subsidiary of CIMC, "CIMC Finance") as service provider and CIMC as guarantor under which CIMC Finance agreed to provide various financial services to the Group from 1 January 2020 to 31 December 2022. During the year, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB418,410,000.

On 31 December 2019, the Company entered into Master Sales Agreement (2019) with CIMC under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the Group's sale to CIMC Group was RMB85,702,000.

On 31 December 2019, the Company entered into Master Processing Agreement (2019) with CIMC, whereby the CIMC Group agreed to provide processing services and other related services to the Group, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the processing service charge incurred by the Group was RMB23,808,000.

On 31 December 2019, the Company entered into Master Procurement Agreement (2019) with CIMC, whereby the Group agreed to procure various spare parts and/or raw materials from the CIMC Group, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the Group's total purchase from CIMC Group was RMB232,705,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

On 31 December 2019, the Company entered into Master Subcontracting Service Agreement (2019) with CIMC under which CIMC Group as service provider to provide subcontracting services to the Group, for a term of three years from 1 January 2020 to 31 December 2022. During the year, the processing service charge incurred by the Group was RMB52,685,000.

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 31 December 2019 made by the Company in respect of each of the disclosed continuing connected transactions.

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

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.

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

Confirmation of Independence

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

Corporate Governance

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

The Company's corporate governance report is set out on pages 45 to 62. 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 2020.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2020 Final Dividend, the register of members of the Company will be closed from Monday, 31 May 2021 to Friday, 4 June 2021 (both days inclusive). In order to qualify for the 2020 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 28 May 2021.

Subject to the approval by shareholders at the AGM to be held on 21 May 2021, the 2020 Final Dividend will be paid in cash on or about 28 June 2021 to shareholders whose names appear on the register of members of the Company on 4 June 2021 (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, 17 May 2021 to Friday, 21 May 2021 (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, 14 May 2021.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2020 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 2020 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2020 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 28 May 2021.

With respect to individual investors of Shenzhen-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2020 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under Notice Regarding Tax Policies Related to the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

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

Public Float

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

Purchase, Sale or Redemption of Listed Securities

During the year, the trustee of the Award Scheme 2020 purchased on the Stock Exchange a total of 37,074,000 shares for a total consideration of approximately HKD129,767,000 (equivalent to approximately RMB115,454,000) pursuant to the terms of the trust deed under the Award Scheme 2020.

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

Pre-Emptive Rights

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

Auditor

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

By order of the Board
Gao Xiang
Chairman

Hong Kong, 23 March 2021

INDEPENDENT AUDITOR'S REPORT

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 86 to 187, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Recoverability of trade receivables
- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 2(h)(iv) of accounting policy of impairment of financial assets, Note 3 – Accounting estimates and judgements and Note 26 – Trade and bills receivables to the consolidated financial statements. As at 31 December 2020, the carrying amount of trade receivables amounted to Renminbi ("RMB") 2,012,337,000 (after provision of RMB328,561,000), representing approximately 13% 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 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 receivables. Those controls were related to the identification of impaired receivables and the quantification and recording of impairment provisions. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes to management bias or fraud. (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 24 – Goodwill to the consolidated financial statements. As at 31 December 2020, the carrying amount of goodwill of the Group amounted to RMB236,801,000. Impairment provision of RMB40,224,000 had been recognised during the year ended 31 December 2020. 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 and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We obtained management's worksheets of impairment of goodwill and tested the mathematical accuracy of the calculations. (iii) We 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 future revenue growth rates, 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, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6&14	**12,289,567**	13,743,019
Cost of sales		**(10,194,844)**	(11,391,725)
Gross profit		**2,094,723**	2,351,294
Change in fair value of financial instruments		**23,744**	4,100
Other revenue	7	**225,868**	243,845
Other income, net	7	**112,775**	82,369
Net impairment loss on financial assets	8(d)	**(128,562)**	(71,569)
Selling expenses		**(283,205)**	(359,902)
Administrative expenses		**(1,233,352)**	(1,111,564)
Profit from operations		**811,991**	1,138,573
Finance costs	8(a)	**(44,730)**	(62,132)
Share of post-tax profit of associates	21	**5,998**	9,371
Profit before taxation	8	**773,259**	1,085,812
Income tax expenses	9	**(207,051)**	(184,407)
Profit for the year		**566,208**	901,405
Attributable to:			
Equity shareholders of the Company		**579,923**	911,007
Non-controlling interests		**(13,715)**	(9,602)
Profit for the year		**566,208**	901,405
Earnings per share			
– Basic	13	**RMB0.293**	RMB0.464
– Diluted	13	**RMB0.293**	RMB0.459

The notes on pages 94 to 187 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB'000	 2019 RMB'000
Profit for the year		**566,208**	901,405
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(28,501)**	(17,272)
Share of other comprehensive income of an associate	21	**1**	48
Total of other comprehensive income for the year		**(28,500)**	(17,224)
Total comprehensive income for the year		**537,708**	884,181
Attributable to:			
Equity shareholders of the Company		**551,423**	893,783
Non-controlling interests		**(13,715)**	(9,602)
Total comprehensive income for the year		**537,708**	884,181

The notes on pages 94 to 187 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	15	3,069,709	2,966,655
Construction in progress	16	366,939	425,145
Right-of-use assets	17	116,548	33,718
Investment properties	18	38,700	–
Lease prepayments	19	542,764	578,151
Intangible assets	20	183,713	200,152
Investments in associates	21	192,370	161,430
Prepayment for acquisition of equity interests	23	–	50,000
Goodwill	24	236,801	251,962
Deferred tax assets	37(b)	99,451	113,963
		4,846,995	4,781,176
Current assets			
Inventories	25	3,924,638	3,676,319
Contract assets	14(d)	1,001,746	919,042
Trade and bills receivables	26	2,389,147	2,715,828
Deposits, other receivables and prepayments	27	855,325	884,109
Amounts due from related parties	45(c)	99,366	128,568
Financial instruments at fair value through profit or loss	30	87,115	3,210
Restricted bank deposits	28	309,498	257,029
Cash and cash equivalents	29	2,560,890	2,534,752
		11,227,725	11,118,857
Current liabilities			
Financial instruments at fair value through profit or loss	30	1,037	876
Bank loans	31	24,941	263,955
Lease liabilities	17	24,024	8,496
Loans from related parties	45(d)	667,506	186,402
Other borrowings	35	13,449	21,586
Trade and bills payables	32	2,461,023	2,420,392
Contract liabilities	14(d)	2,438,378	2,870,689
Other payables and accrued expenses	33	1,643,752	1,375,569
Amounts due to related parties	45(c)	146,532	84,200
Warranty provision	34	98,659	113,915
Income tax payable	37(a)	131,764	51,226
Employee benefit liabilities	39	–	511
		7,651,065	7,397,817
Net current assets		3,576,660	3,721,040
Total assets less current liabilities		8,423,655	8,502,216

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank loans	31	**270,996**	544,144
Warranty provision	34	**86,855**	67,880
Deferred tax liabilities	37(b)	**175,337**	199,639
Deferred income	38	**282,018**	235,858
Employee benefit liabilities	39	**4,413**	4,603
Other borrowings	35	**36,197**	38,455
Lease liabilities	17	**96,481**	27,126
		952,297	1,117,705
NET ASSETS		**7,471,358**	7,384,511
CAPITAL AND RESERVES			
Share capital	40(a)	**18,376**	18,371
Reserves	40(b)	**7,261,700**	7,117,737
Equity attributable to equity shareholders of the Company		**7,280,076**	7,136,108
Non-controlling interests		**191,282**	248,403
TOTAL EQUITY		**7,471,358**	7,384,511

The notes on pages 94 to 187 form an integral part of these consolidated financial statements.

The financial statements on pages 86 to 187 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf.

Gao Xiang	**Yang Xiaohu**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 40(a)	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(iv)	General reserve fund RMB'000 40(b)(v)	Retained earnings RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	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 36(b))	–	–	–	–	36,669	–	–	–	36,669	–	36,669
Change in ownership interests in a subsidiary without change of control	–	–	–	–	(5,026)	–	–	–	(5,026)	(37,974)	(43,000)
Transfer to general reserve	–	–	–	–	–	–	34,621	(34,621)	–	–	–
2018 final dividends 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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

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

The notes on pages 94 to 187 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**773,259**	1,085,812
Adjustments for:			
Depreciation and amortisation		**341,306**	299,527
Depreciation for right-of-use assets	17	**19,305**	8,335
Net impairment losses on financial and contract assets	8(d)	**128,562**	71,569
Impairment of goodwill and intangible assets		**48,225**	63,460
Impairment of investments in associates	21	**910**	–
Impairment of inventories and prepayments		**41,454**	–
Equity-settled share-based payment expenses	8(b)	**7,961**	36,669
Share of profits of associates	21	**(5,998)**	(9,371)
Gain on derecognition of contingent consideration payable		**–**	(48,000)
Change in fair value of derivative financial instruments		**(23,744)**	(4,100)
Amortisation of deferred income	38	**(10,787)**	–
Interest income	7	**(21,917)**	(11,745)
Interest charges	8(a)	**35,012**	49,029
Net (gain)/loss on disposal of property, plant and equipment and derivative financial instruments		**(17,922)**	5,371
Provision for special reserve		**1,519**	–
Foreign exchange loss/(gain)	7	**60,003**	(4,302)
Operating profit before changes in working capital		**1,377,148**	1,542,254
(Increase)/decrease in inventories		**(266,731)**	197,533
Decrease in trade receivables and bills receivables		**231,769**	234,834
Increase in contract assets		**(111,539)**	(131,495)
Increase in deposit, other receivables and prepayments		**(35,651)**	(220,056)
Decrease in amounts due from related parties		**79,201**	87,047
Increase/(decrease) in trade and bills payables		**37,335**	(314,988)
Increase/(decrease) in other payables and accrued expenses		**163,911**	(228,124)
Decrease in contract liabilities		**(432,311)**	(81,399)
Increase/(decrease) in amounts due to related parties		**62,332**	(67,499)
(Decrease)/increase in employee benefit liabilities		**(701)**	313
Decrease in deferred income	38	**56,947**	(15,040)
Increase/(decrease) in warranty provisions		**1,203**	(103,754)
(Increase)/decrease in restricted bank deposits	28	**(52,469)**	107,942
Cash generated from operations		**1,110,444**	1,007,568
Income tax paid	37(a)	**(150,362)**	(146,023)
Net cash from operating activities		**960,082**	861,545

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(369,053)**	(426,333)
Payment for lease prepayments	19	**–**	(77,399)
Payment for acquisition of intangible assets	20	**(17,694)**	(6,300)
Payments for financial instrument		**(60,000)**	–
Proceeds from disposal of property, plant and equipment, lease prepayment		**23,940**	129,697
Interest received	7	**21,917**	11,745
Acquisition of subsidiaries, net of cash acquired	47(c)	**(52,280)**	(118,558)
Payment for investment in associates	21	**(26,395)**	(23,275)
Payment for additional interest in subsidiaries	46	**(27,875)**	(43,000)
Dividends from associates	21	**4,850**	2,664
Cash received from settlement of derivative financial instruments	7	**21,750**	–
Net cash used in investing activities		**(480,840)**	(550,759)
Financing activities			
Proceeds from new bank loans		**1,284,913**	725,866
Repayment of bank loans		**(1,770,656)**	(1,350,208)
Interest paid		**(29,078)**	(48,731)
Repayment of other borrowings		**(13,083)**	(13,824)
Capital contribution from the non-controlling interests		**3,500**	40,500
Purchase of shares for share award scheme		**(115,454)**	–
Proceeds from shares issued under share option scheme		**1,240**	45,920
Proceeds in relation to share-based transactions of a subsidiary	36(d)	**139,719**	–
Loans from related parties		**1,842,000**	271,402
Repayment of loans from related parties		**(1,360,896)**	(120,000)
Principal elements of lease payments		**(20,684)**	(6,317)
Dividends paid to the Company's shareholders		**(364,380)**	(246,109)
Dividends paid to non-controlling interests		**(3,581)**	(1,915)
Net cash used in financing activities		**(406,440)**	(703,416)
Net increase/(decrease) in cash and cash equivalents		**72,802**	(392,630)
Cash and cash equivalents at 1 January		**2,534,752**	2,930,271
Effect of foreign exchange rate changes		**(46,664)**	(2,889)
Cash and cash equivalents at 31 December	29	**2,560,890**	2,534,752

The notes on pages 94 to 187 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

The Company has 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 23 March 2021.

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

2 Significant accounting policies

(a) Basis of preparation of the financial statements

The consolidated financial statements of CIMC Enric Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(b) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Revised Conceptual Framework for Financial Reporting	

The 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 amendments not yet adopted

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform – Phase 2 – Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	1 January 2021
Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17 Insurance Contracts	1 January 2023
Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to HKAS 1	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

2 Significant accounting policies *(Continued)*

(d) 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)*

(e) Business combinations

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

- fair values of the assets transferred
- liabilities incurred 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)*

(f) Separate financial statements

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

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

(g) Foreign currency translation

(i) Functional and presentation currency

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

(g) 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)*

(h) Investments and other financial assets

(i) Classification

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

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

- those to be measured at amortised cost.

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

2 Significant accounting policies *(Continued)*

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

(iii) Measurement *(Continued)*

Debt instruments *(Continued)*

- 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 26 for further details.

(i) Offsetting financial instruments

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

2 Significant accounting policies *(Continued)*

(j) Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

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

(k) Derivative financial instruments

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

(l) Property, plant and equipment

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

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

(l) 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.

(m) Investment properties

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

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

2 Significant accounting policies *(Continued)*

(n) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(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.

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

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

Technical know-how	5 to 10 years
Trade-name	15 years
Trademarks	5 years
Software	3 to 10 years
Customer relationship	4 to 10 years
Right of operation	30 years
Qualified natural gas exploitation license	20 to 25 years

Both the period and method of amortisation are reviewed annually.

2 Significant accounting policies *(Continued)*

(o) Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

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.

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.

2 Significant accounting policies *(Continued)*

(p) Impairment of non-financial assets

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

- property, plant and equipment;
- construction in progress;
- investment properties;
- right-of-use assets;
- lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries and associates.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2 Significant accounting policies *(Continued)*

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

- 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.

(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".

2 Significant accounting policies *(Continued)*

(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 26 for further information about the Group's accounting for trade receivables and note 2(h)(iv) for a description of the Group's impairment policies.

(t) Interest-bearing borrowings

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

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

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

(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.

2 Significant accounting policies *(Continued)*

(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.

(ii) Share-based payments

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

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

2 Significant accounting policies *(Continued)*

(x) Employee benefits *(Continued)*

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

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.

(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.

2 Significant accounting policies *(Continued)*

(y) Income tax *(Continued)*

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.

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.

2 Significant accounting policies *(Continued)*

(z) Provisions and contingent liabilities

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

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

(aa) 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.

2 Significant accounting policies *(Continued)*

(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 deposits" 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".

(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.

2 Significant accounting policies *(Continued)*

(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.

(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 profit of associates, finance costs, taxation.

3 Accounting estimates and judgements

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

(a) Impairment of financial assets

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

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

(b) Impairment of non-financial assets

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

3 Accounting estimates and judgements *(Continued)*

(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) Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

4 Fair value measurement of financial instruments

(a) Fair value hierarchy

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

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

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2020 and 31 December 2019 on a recurring basis:

	At 31 December 2020 Level 2 RMB'000	At 31 December 2019 Level 2 RMB'000
Financial assets		
– FVPL – foreign currency forwards	**25,685**	3,210
– FVPL – wealth management products	**61,430**	–
Financial liability		
– FVPL – foreign currency forwards	**1,037**	876

As at 31 December 2020, the Group's financial instruments measured at fair value through profit or loss were derivative financial instruments arising from forward exchange contracts and wealth management products 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 2020.

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

(b) Valuation techniques used to determine fair values

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

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

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

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

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

(a) Credit risk *(Continued)*

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

(ii-1) Cash and bank balances

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

(ii-2) Bills receivables

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

(ii-3) Trade receivables and contract assets

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

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

Trade receivables are categorised as follows for assessment purpose:

- Group 1 – individual — Receivables with pending lawsuits
- Group 2 – collective — Other trade receivables

As at 31 December 2020 and 2019, the cost and loss allowance of trade receivables in these categories are as follows:

	31 December 2020		31 December 2019	
	Cost RMB'000	**Loss allowance RMB'000**	Cost RMB'000	Loss allowance RMB'000
Group 1	**112,421**	**(97,968)**	161,259	(107,320)
Group 2	**2,228,477**	**(230,593)**	2,556,560	(208,796)
Total	**2,340,898**	**(328,561)**	2,717,819	(316,116)

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

(a) Credit risk *(Continued)*

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

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

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 other trade receivables, the expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2020 or 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance of Group 2 as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables:

31 December 2020	Current RMB'000	Less than 3 months past due RMB'000	More than 3 months but less than 12 months past due RMB'000	More than 1 year but less than 2 years past due RMB'000	More than 2 years but less than 3 years past due RMB'000	More than 3 years but less than 5 years past due RMB'000	More than 5 years past due RMB'000	Total RMB'000
Expected loss rate	2.33%	4.58%	6.84%	36.10%	48.92%	78.03%	100.00%	
Gross carrying amount – trade receivables	1,518,451	199,558	217,335	146,836	26,461	66,598	53,238	2,228,477
Loss allowance	35,426	9,149	14,857	53,010	12,945	51,968	53,238	230,593

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

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

(a) Credit risk *(Continued)*

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

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

As at 31 December 2020, 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.

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 2019	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
Increase in the allowance recognised in profit or loss during the period	**1,222**	**–**
Receivables written off during the year as uncollectible	**(20,757)**	**(1,865)**
Closing loss allowance as at 31 December 2020	**9,338**	**5,491**

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

(a) Credit risk *(Continued)*

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

(ii-5) 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	
	2020 RMB'000	2019 RMB'000
At 31 December – Opening loss allowance	**316,116**	267,489
Increase in loss allowance recognised in profit or loss during the year	**149,282**	96,467
Reversal	**(50,778)**	(32,159)
Receivables written off during the year as uncollectible	**(86,546)**	(15,834)
Exchange adjustment	**487**	153
At 31 December	**328,561**	316,116

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:

	2020 Contractual undiscounted cash flow					2019 Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	20,579	281,850	–	302,429	295,937	289,501	562,049	–	851,550	808,099
Bills payables, creditors and accrued expenses	3,477,651	–	–	3,477,651	3,477,651	3,446,757	–	–	3,446,757	3,446,757
Other borrowings	16,346	38,895	–	55,241	49,646	24,287	40,697	–	64,984	60,041
Loans from related parties and amounts due to related parties	831,049	8,585	–	839,634	814,038	275,794	5,337	–	281,131	270,602
Lease liabilities	25,056	100,627	–	125,683	120,505	9,930	20,918	10,999	41,847	35,622
	4,370,681	429,957	–	4,800,638	4,757,777	4,046,269	629,001	10,999	4,686,269	4,621,121

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank deposits, bank loans and loans from related parties. Floating rate bank deposits, bank loans and loans from related parties 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, bank loans and loans from related parties at variable rates at the balance sheet date.

	2020		2019	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	0.97%	2,790,583	0.44%	2,534,526
Bank loans	1.92%	(295,937)	3.44%	(807,399)
Loans from related parties	2.55%	(667,506)	2.79%	(186,402)

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2020, 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 RMB6,852,000. Other components of consolidated equity would not change in response to the general increase/(decrease) in interest rates.

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

(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 2020			
	USD RMB'000	HKD RMB'000	EUR RMB'000	GBP RMB'000
Trade and bills receivables	**411,688**	**–**	**70,426**	**36,048**
Deposits and other receivables	**288**	**–**	**717**	**–**
Cash and cash equivalents	**544,650**	**10,838**	**172,189**	**29,541**
Restricted cash	**53,713**	**–**	**–**	**–**
Trade and bills payables	**(94,827)**	**–**	**(18,473)**	**(51,672)**
Other payables and accrued expenses	**(68,835)**	**–**	**(406)**	**(7,299)**
Overall net exposure	**846,677**	**10,838**	**224,453**	**6,618**

	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

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

	2020		2019	
	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%	31,750	5%	34,961
	(5%)	(31,750)	(5%)	(34,961)
HKD	5%	406	5%	(1,560)
	(5%)	(406)	(5%)	1,560
EUR	5%	8,417	5%	1,186
	(5%)	(8,417)	(5%)	(1,186)
GBP	5%	248	5%	2,621
	(5%)	(248)	(5%)	(2,621)

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 2019.

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:

	2020 RMB'000	2019 RMB'000
Sales of goods	8,206,712	9,222,821
Revenue from project engineering contracts	4,082,855	4,520,198
	12,289,567	13,743,019

7 Other revenue and other income, net

		2020 RMB'000	2019 RMB'000
Other revenue			
Government grants	(i)	62,132	64,171
Other operating revenue	(ii)	141,819	167,929
Interest income from bank deposits		21,917	11,745
		225,868	243,845

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

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

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

	2020 RMB'000	2019 RMB'000
Other income, net		
Write-back of restructuring liabilities (i)	**113,564**	46,614
Foreign exchange (loss)/gain	**(60,003)**	4,302
Gain/(loss) on settlement of derivative financial instruments	**21,750**	(5,711)
Compensation received	**19,999**	4,535
Write-back of payables and advances from customers (ii)	**6,796**	38,085
Net loss on disposal of property, plant and equipment	**(3,828)**	(5,371)
Donation expenses	**(533)**	(105)
Other net gain	**15,030**	20
	112,775	82,369

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

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

8 Profit before taxation

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

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on bank loans, other borrowings and lease liabilities	**37,007**	51,824
Less: interest capitalised	**(1,995)**	(2,795)
Bank charges	**9,718**	13,103
	44,730	62,132

8 Profit before taxation *(Continued)*

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and allowances	**1,589,527**	1,594,658
Contributions to retirement schemes (note 39)	**34,893**	79,733
Equity-settled share-based payment expenses for share award scheme (note 36)	**7,961**	36,669
	1,632,381	1,711,060

(c) Other items

	2020 RMB'000	2019 RMB'000
Cost of inventories (note 25)	**6,856,187**	7,339,229
Auditor's remuneration		
– Audit services	**7,789**	6,765
– Non-audit services	**1,767**	1,287
Depreciation of property, plant and equipment (note 15)	**281,519**	251,058
Depreciation of right-of-use assets (note 17)	**19,305**	8,335
Amortisation of lease prepayments (note 19)	**14,766**	14,944
Amortisation of intangible assets (note 20)	**43,999**	33,525
Impairment of goodwill (note 24)	**40,224**	15,000
Write-down of inventories (note 25)	**43,616**	12,635
Reversal of write-down of inventories (note 25)	**(5,869)**	(17,510)
Research and development costs	**359,085**	310,595
Operating lease charges for property rental (note 17)	**9,761**	25,421
Provision for product warranties (note 34)	**73,901**	64,403
Reversal of provision for product warranties (note 34)	**(36,962)**	(128,953)

8 Profit before taxation *(Continued)*

(d) Net impairment loss on financial assets

	2020 RMB'000	2019 RMB'000
Impairment provision for trade receivables	**149,282**	96,467
Reversal of impairment provision for trade receivables	**(50,778)**	(32,159)
Impairment provision for contract assets	**28,836**	–
Others	**1,222**	7,261
	128,562	71,569

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for the year	**228,655**	187,138
Over-provision in respect of prior years	**(9,139)**	(16,301)
	219,516	170,837
Deferred tax		
Origination and reversal of temporary differences	**(12,465)**	13,570
	207,051	184,407

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

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

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

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

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

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

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**773,259**	1,085,812
Notional tax on profit before taxation, calculated at the applicable rates	**267,437**	295,257
Effect of tax concessions (a-(ii))	**(70,463)**	(84,067)
Tax effect of super deduction	**(18,453)**	(34,002)
Tax effect of non-deductible expenses	**16,437**	5,179
Tax effect of tax losses not recognised as deferred tax assets	**27,129**	25,838
Over-provision in prior years	**(9,139)**	(16,301)
Utilisation of tax losses which no deferred tax assets were recognised before	**(5,897)**	(7,497)
Income tax expenses	**207,051**	184,407

10 Directors' remuneration

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based Payments (ii) RMB'000	Total RMB'000
Executive Director:							
Yang Xiaohu	–	1,275	16	306	1,597	186	1,783
Non-executive Directors:							
Gao Xiang (i)	160	–	–	–	160	155	315
Yu Yuqun	160	–	–	–	160	62	222
Wang Yu	160	–	–	–	160	62	222
Zeng Han	160	–	–	–	160	62	222
Independent Non-Executive Directors:							
Zhang Xueqian	285	–	–	–	285	–	285
Tsui Kei Pang	285	–	–	–	285	–	285
Wang Caiyong	285	–	–	–	285	–	285
Yien Yu Yu, Catherine	285	–	–	–	285	–	285
	1,780	1,275	16	306	3,377	527	3,904

10 Directors' remuneration *(Continued)*

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 (ii) 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

(i) Mr. Gao Xiang was redesignated from Executive Director to Non-executive Director on 29 December 2020.

(ii) 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 36.

11 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2019: five) individuals with the highest emoluments, including none of the Directors (2019: one), are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	7,999	7,366
Bonuses	2,087	4,146
Share-based payments	286	2,867
Retirement scheme contributions	261	295
	10,633	14,674

The emoluments of the five (2019: five) individuals with the highest emoluments, including none of the Directors (2019: one), are within the following bands:

	2020 Number of Individuals	2019 Number of Individuals
HKD2,000,001 – HKD2,500,000	4	–
HKD2,500,001 – HKD3,000,000	1	2
HKD3,000,001 – HKD3,500,000	–	2
HKD4,000,001 – HKD4,500,000	–	1

12 Dividends

Final dividend of RMB364,380,000 in relation to the year ended 31 December 2019 was paid in 2020.

A final dividend in respect of the year ended 31 December 2020 of HKD0.14 (equivalent to approximately RMB0.12) per share has been proposed by the Directors. The proposed final dividend in respect of 2020 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**579,923**	911,007

	2020	2019
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,976,552,191**	1,964,279,967
Effect of dilutive potential ordinary shares in respect of the Company's share option and share award schemes (note 36)	**5,729,471**	18,937,893
Weighted average number of shares for the purpose of diluted earnings per share	**1,982,281,662**	1,983,217,860

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

- Chemical and environmental: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied chemicals, gaseous chemicals and powder products; and the provision of maintenance service and value-added service for tank containers. This segment is also engaged in the manufacturing and sale of special equipment for environmental protection. It also renders related services for the environmental protection, pollution treatment as well as resource recycling.

- 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 profit 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue from external customers	7,001,558	6,814,772	2,026,944	3,385,706	2,727,872	3,076,961	11,756,374	13,277,439
Inter-segment revenue	867	1,388	68,314	37,904	–	–	69,181	39,292
Reportable segment revenue	7,002,425	6,816,160	2,095,258	3,423,610	2,727,872	3,076,961	11,825,555	13,316,731
Timing of revenue recognition								
At a point in time	5,647,441	5,372,923	2,095,258	3,423,610	–	–	7,742,699	8,796,533
Over time	1,354,984	1,443,237	–	–	2,727,872	3,076,961	4,082,856	4,520,198
Reportable segment profit (adjusted profit from operations)	300,626	517,348	215,796	472,919	534,396	309,901	1,050,818	1,300,168
Interest income from bank deposits	16,257	3,608	2,417	1,282	36,785	1,245	55,459	6,135
Interest expense	(12,966)	(1,777)	(3,087)	(2,680)	(1,895)	–	(17,948)	(4,457)
Depreciation and amortisation for the year	(227,728)	(199,207)	(29,030)	(31,084)	(73,196)	(46,872)	(329,954)	(277,163)
Reportable segment assets	9,466,270	9,485,979	2,114,071	1,953,214	2,729,631	2,652,152	14,309,972	14,091,345
Additions to non-current assets during the year	246,365	428,845	175,711	92,427	68,758	52,860	490,834	574,132
Reportable segment liabilities	5,022,805	4,908,079	809,636	707,496	1,765,515	1,612,282	7,597,956	7,227,857

14 Segment reporting *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	**11,825,555**	13,316,731
Elimination of inter-segment revenue	**(69,181)**	(39,292)
Unallocated revenue	**533,193**	465,580
Consolidated revenue	**12,289,567**	13,743,019

	2020 RMB'000	2019 RMB'000
Profit		
Reportable segment profit	**1,050,818**	1,300,168
Elimination of inter-segment profit	**(10,029)**	(3,948)
Reportable segment profit derived from Group's external customers	**1,040,789**	1,296,220
Finance costs	**(44,730)**	(62,132)
Share of post-tax profit of associates	**5,998**	9,371
Unallocated operating income and expenses	**(228,798)**	(157,647)
Consolidated profit before taxation	**773,259**	1,085,812

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**14,309,972**	14,091,345
Elimination of inter-segment receivables	**(229,898)**	(207,087)
	14,080,074	13,884,258
Deferred tax assets	**99,451**	113,963
Unallocated assets	**1,895,195**	1,901,812
Consolidated total assets	**16,074,720**	15,900,033

14 Segment reporting *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Liabilities		
Reportable segment liabilities	**7,597,956**	7,227,857
Elimination of inter-segment payables	**(229,898)**	(207,087)
	7,368,058	7,020,770
Income tax payable	**131,764**	51,226
Deferred tax liabilities	**175,337**	199,639
Unallocated liabilities	**928,203**	1,243,887
Consolidated total liabilities	**8,603,362**	8,515,522

(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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
PRC (place of domicile)	**6,349,932**	5,678,099	**4,054,587**	4,084,397
United States	**821,783**	903,989	**7**	171
European countries	**2,150,007**	2,927,512	**500,526**	421,008
Asian countries (other than PRC)	**920,316**	2,246,328	**54**	207
Other American countries	**1,750,762**	1,742,857	**–**	–
Other countries	**296,767**	244,234	**–**	–
	5,939,635	8,064,920	**500,587**	421,386
	12,289,567	13,743,019	**4,555,174**	4,505,783

For the year ended 31 December 2020, there was one single external customer that accounted for 10% or more of the Group's total revenue (2019: 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:

	2020 RMB'000	2019 RMB'000
Contract assets	**1,001,746**	919,042
Contract liabilities – Products	**1,601,943**	1,657,559
Contract liabilities – Project engineering contracts	**836,435**	1,213,130
Total contract liabilities	**2,438,378**	2,870,689

(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 2020.

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.

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Products	**1,091,463**	1,177,928
– Project engineering contracts	**1,049,815**	1,340,641

15 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Pipelines RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:							
At 1 January 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 47)	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
At 1 January 2020	**2,320,712**	**320**	**161,296**	**1,876,798**	**153,018**	**294,202**	**4,806,346**
Additions	**43,598**	**–**	**–**	**86,224**	**11,888**	**9,960**	**151,670**
Acquisition through business combinations (note 47)	**15,142**	**–**	**–**	**3,141**	**956**	**746**	**19,985**
Transfers from construction in progress (note 16)	**53,974**	**–**	**–**	**194,315**	**3,617**	**12,994**	**264,900**
Transfers to investment properties (note 18)	**(19,629)**	**–**	**–**	**–**	**–**	**–**	**(19,629)**
Disposals	**(5,504)**	**–**	**–**	**(28,351)**	**(10,305)**	**(7,121)**	**(51,281)**
Exchange adjustment	**3,977**	**(11)**	**–**	**4,874**	**(870)**	**(581)**	**7,389**
At 31 December 2020	**2,412,270**	**309**	**161,296**	**2,137,001**	**158,304**	**310,200**	**5,179,380**
Accumulated depreciation:							
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)
At 1 January 2020	**(519,431)**	**(320)**	**(4,033)**	**(1,010,553)**	**(84,025)**	**(221,329)**	**(1,839,691)**
Charge for the year	**(113,641)**	**–**	**(2,689)**	**(130,847)**	**(12,188)**	**(22,154)**	**(281,519)**
Transfers to investment properties (note 18)	**3,692**	**–**	**–**	**–**	**–**	**–**	**3,692**
Written back on disposals	**615**	**–**	**–**	**5,474**	**8,344**	**5,916**	**20,349**
Exchange adjustment	**(2,281)**	**11**	**–**	**(7,069)**	**2,809**	**(5,972)**	**(12,502)**
At 31 December 2020	**(631,046)**	**(309)**	**(6,722)**	**(1,142,995)**	**(85,060)**	**(243,539)**	**(2,109,671)**
Net book value:							
At 31 December 2020	**1,781,224**	**–**	**154,574**	**994,006**	**73,244**	**66,661**	**3,069,709**
At 31 December 2019	1,801,281	–	157,263	866,245	68,993	72,873	2,966,655

As at 31 December 2020, the Group was in the process of registering the title of buildings with net book value of RMB169,055,000 (2019: RMB115,020,000).

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:

	2020 RMB'000	2019 RMB'000
Cost of sales	**237,582**	216,205
Selling expenses	**1,840**	2,170
Administrative expenses	**42,097**	32,683
	281,519	251,058

16 Construction in progress

	2020 RMB'000	2019 RMB'000
At 1 January	**425,145**	148,938
Additions	**219,795**	298,827
Acquisition through business combination (note 47)	**2,767**	76,583
Transfers to property, plant and equipment (note 15)	**(264,900)**	(98,758)
Transfers to intangible assets (note 20)	**(16,371)**	(372)
Exchange adjustment	**503**	(73)
At 31 December	**366,939**	425,145

17 Leases

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Right-of-use assets		
Buildings	**116,179**	33,162
Others	**369**	556
	116,548	33,718
Lease liabilities		
Current	**24,024**	8,496
Non-current	**96,481**	27,126
	120,505	35,622

* Right-of-use assets also included the lease prepayments as disclosed separately in note 19.

Additions to the right-of-use assets during the 2020 financial year were RMB102,522,000 (2019: RMB25,623,000).

17 Leases *(Continued)*

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**(18,870)**	(7,842)
Others	**(435)**	(493)
	(19,305)	(8,335)
Interest expense (included in finance cost)	**(3,296)**	(1,609)
Expense relating to short-term leases (included in cost of sales and administrative expense)	**(7,568)**	(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)	**(2,193)**	(1,771)

The total cash outflow for leases in 2020 was RMB20,684,000.

(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 Investment Properties

	2020 RMB'000
Cost:	
At 1 January	–
Transfers from owner-occupied property (notes 15&19)	48,689
At 31 December	48,689
Accumulated depreciation:	
At 1 January	–
Transfers from owner-occupied property (notes 15&19)	(8,967)
Charge in year	(1,022)
At 31 December	(9,989)
Net book value:	
At 31 December	38,700

19 Lease prepayments

	2020 RMB'000	2019 RMB'000
Cost:		
At 1 January	695,964	682,602
Acquisition through business combination	–	19,073
Additions	3,164	77,399
Transfers to investment properties (note 18)	(29,060)	–
Disposal	–	(83,110)
At 31 December	670,068	695,964
Accumulated amortisation:		
At 1 January	(117,813)	(105,061)
Charge for the year	(14,766)	(14,944)
Transfers to investment properties (note 18)	5,275	–
Written back on disposal	–	2,192
At 31 December	(127,304)	(117,813)
Net book value:		
At 31 December	542,764	578,151

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 27 to 49 years as at 31 December 2020 (2019: 28 to 50 years).

20 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 2019	295,424	75,042	241	19,218	47,000	–	–	436,925
Acquisition through business combination (note 47)	–	–	–	–	–	21,000	48,460	69,460
Additions	4,752	–	–	1,548	–	–	–	6,300
Transfers from construction in progress (note 16)	–	–	–	372	–	–	–	372
Written off	–	–	–	–	–	–	(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
At 1 January 2020	**301,247**	**74,738**	**240**	**21,047**	**47,000**	**21,000**	**–**	**465,272**
Additions	**11,065**	**3,111**	**3**	**3,515**	**–**	**–**	**–**	**17,694**
Transfers from construction in progress (note 16)	**–**	**–**	**–**	**16,371**	**–**	**–**	**–**	**16,371**
Impairment charge	**(8,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,000)**
Exchange adjustment	**2,037**	**2,052**	**7**	**122**	**–**	**–**	**–**	**4,218**
At 31 December 2020	**306,349**	**79,901**	**250**	**41,055**	**47,000**	**21,000**	**–**	**495,555**
Accumulated amortisation:								
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)
At 1 January 2020	**(199,792)**	**(22,706)**	**(219)**	**(8,035)**	**(33,683)**	**(685)**	**–**	**(265,120)**
Charge for the year	**(26,439)**	**(4,982)**	**(16)**	**(3,949)**	**(7,700)**	**(913)**	**–**	**(43,999)**
Exchange adjustment	**(1,934)**	**(686)**	**(5)**	**(98)**	**–**	**–**	**–**	**(2,723)**
At 31 December 2020	**(228,165)**	**(28,374)**	**(240)**	**(12,082)**	**(41,383)**	**(1,598)**	**–**	**(311,842)**
Net book value:								
At 31 December 2020	**78,184**	**51,527**	**10**	**28,973**	**5,617**	**19,402**	**–**	**183,713**
At 31 December 2019	101,455	52,032	21	13,012	13,317	20,315	–	200,152

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

21 Investments in associates

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

	2020 RMB'000	2019 RMB'000
At 1 January	**161,430**	131,400
Additions	**26,395**	23,275
Impairment loss	**(910)**	–
Dividend distribution	**(4,850)**	(2,664)
Share of post-tax profit of associates	**5,998**	9,371
Share of other comprehensive income of an associate	**1**	48
Share of capital reserve	**4,306**	–
At 31 December	**192,370**	161,430

Nature of investments in associates as at 31 December 2020

Name of entity	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest
Shanghai Tanklink Technology Development Co., Ltd.	PRC 12 March 2014	Registered and paid-in capital of RMB7,500,000	20%
CIMC Finance Company Ltd. ("CIMCFC")	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/ PRC 13 January 2019	Registered and paid-in capital of RMB53,570,000 and RMB51,320,000 respectively	30.8%
Yichuan Tianyun Clean Energy Co., Ltd.	PRC 3 January 2019/ PRC 26 July 2019	Registered and paid-in capital of RMB80,000,000 and RMB40,240,000 respectively	43%

* The Group holds less than 20% of the ownership interest of the entities, however, the Group has significant influence to the entities as the Group has the right to appoint director(s) to the board of the entities. As at 31 December 2020, the associates set above are immaterial to the Group.

22 Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place 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

22 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
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
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 LPG related 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

22 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
CIMC Safeway Technologies Co., Ltd. ("CIMC Safe Tech")	PRC 14 August 2003	Registered and paid-in capital of RMB510,000,000	–	90% (note (36(d))	Production and sales of tank containers
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB795,532,042 and RMB364,862,042 respectively	–	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

22 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 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
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	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 Transport")	PRC 20 March 2007	Registered and paid-in capital of RMB69,945,000	–	100%	Manufacture and sales of LNG related equipment
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

22 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/ registered/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC 11 September 2014	Registered and paid-in capital of RMB20,000,000 and RMB10,000,000 respectively	–	100%	Manufacture and sale of pressure vessels
Ziemann Holvrieka Asia Co., Ltd.	PRC 20 December 2007	Registered and paid-in capital of USD47,700,000	–	100%	Manufacture and sale of tanks
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. ("Hashenleng") (i)	PRC 26 January 2010	Registered capital and paid-in capital of RMB50,000,000	–	85%	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

22 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
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd.	PRC 17 November 2006	Registered and paid-in capital of RMB1,223,916,838 and RMB1,183,886,838 respectively	–	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
Shanghai CIMC TZ Clean Energy Co., Ltd. ("ESH") (i)	PRC 9 February 2018	Registered and paid-in capital of RMB30,000,000 and RMB30,000,000 respectively	–	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 and RMB4,285,710 respectively	–	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	–	76.67%	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 and RMB35,000,000 respectively	–	80%	Comprehensive utilisation of ore

22 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 Environmental Technology Co., Ltd. ("ENV") (i)	PRC 12 November 2018	Registered and paid-in capital of RMB60,000,000 and RMB60,000,000 respectively	–	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 and RMB15,000,000 respectively	–	70%	Detection and maintenance of gas cylinders for natural gas vehicles
Jiaxing Tank Service Co., Ltd. ("EBG") (i)	PRC 20 March 2019	Registered and paid-in capital of RMB10,000,000 and RMB10,000,000 respectively	–	70%	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 and RMB17,540,000 respectively	–	57.01%	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 and RMB60,000,000 respectively	–	50%	Liquefaction of natural gas and coalbed gas

22 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 Tank and Process Ltd.	Canada 5 February 2019	Registered and paid-in capital of CAD2,100,000 and CAD2,100,000 respectively	–	100%	Investment holding
DME Process Systems Ltd. ("DME")	Canada 5 February 2019	Registered and paid-in capital of CAD1,210,000 and CAD1,210,000 respectively	–	100%	Design, manufacture and sale of craft brewery equipment
CIMC Tank Engineering & Service Ltd. ("CTES")	United Kingdom 6 March 2020	Registered and paid-in capital of GBP500,000 and CAD0 respectively	–	100%	R & D platform center of Production and sales of tank containers
Fairway Investment Holdings Limited ("FWI")	PRC 19 August 2020	Registered and paid-in capital of HKD60,000,000 and HKD0 respectively	–	100%	Investment holding
Shanghai Fushaokang Technology Co., Ltd ("FSK")	PRC 3 November 2020	Registered and paid-in capital of CNY2,008,860,000 and CNY1,300,000,000 respectively	–	100%	Investment holding
Dionysus Investment Holdings Limited	PRC 11 November 2020	Registered and paid-in capital of CNY2,008,860,000 and CNY1,300,000,000 respectively	–	100%	Investment holding

22 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 dada Energy Equipment Co., Ltd ("DDZ")	PRC 20 October 2020	Registered and paid-in capital of CNY42,400,000 and CNY42,400,000 respectively	–	100%	Equipment manufacturing and design
Lindenau Full Tank Services GmbH ("LFTS")	German 24 January 2012	Registered and paid-in capital of EUR25,000 and EUR25,000 respectively	–	100%	Transformation of chemical tank, sales and renovation of low temperature tank and chemical tanker
McMillan oppersmiths & Fabricators Limited ("McMillan")	United Kingdom 20 March 1982	Registered and paid-in capital of GBP10,000 and GBP10,000 respectively	–	100%	Manufacture of copper distiller for liquor

(i) The Group's effective interests in Hongtu, Greenergy, Hashenleng, ESH, NYX, GCT, LYG, ENV, EFW, EBG, Ningxia Changming, EYN, and ESX are 90%, 90%, 85%, 90%, 70%, 76.67%, 80%, 85.71%, 70%, 70%, 67.53%, 57.01%, and 50%, respectively. As at 31 December 2020, the non-controlling interests are immaterial to the Group.

(ii) As of the date of this report, all of the Group's subsidiaries in China are limited liabilities companies except for CIMC Safe Tech which is a joint stock company.

23 Prepayment for acquisition of equity interests

	2020 RMB'000	2019 RMB'000
Prepayment for acquisition of equity interests	–	50,000

24 Goodwill

	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	**322,049**	311,936
Acquisition through business combination (note 47)	**26,828**	6,781
Disposal	**(2,087)**	–
Exchange adjustment	**(1,765)**	3,332
At 31 December	**340,025**	322,049
Less: Impairment provision		
At 1 January	**(70,087)**	(55,087)
Writte off	**2,087**	–
Impairment charge	**(40,224)**	(15,000)
At 31 December	**(108,224)**	(70,087)
Net Goodwill	**236,801**	251,962

(a) Impairment tests for goodwill

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

	2020 RMB'000	2019 RMB'000
Sanctum	**8,297**	8,297
CIMC Safe Tech	**7,265**	7,265
Hongtu (c)	**27,221**	27,221
YPDI	**86,558**	86,558
Hashenleng (b)	**–**	33,443
Briggs	**80,109**	82,397
Ningxia Changming (b)	**–**	6,781
McMillan	**23,435**	–
LFTS	**3,916**	–
At 31 December	**236,801**	251,962

24 Goodwill *(Continued)*

(a) Impairment tests for goodwill *(Continued)*

For the significant amount of goodwill allocated to the CGU relating to YPDI, Hongtu, Briggs and McMillan, the key assumptions and discount rate used in the value-in-use calculations in 2020 and 2019 are as follows.

	YPDI		Hongtu		Briggs		McMillan
	2020	2019	2020	2019	2020	2019	2020
Revenue (average annual growth rate)	14%	5%	5%	3%	2%	5%	3%
Gross margin (% of revenue)	12%	15%	12%	15%	8%	9%	45%
Pre-tax discount rate	16.66%	16.08%	15.06%	14.00%	13.32%	14.45%	13.12%

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.

(b) Impairment charge

The impairment charge of RMB40,224,000 recognised during the year of which RMB33,443,000 related to the CGU of Hashenleng and RMB6,781,000 to the CGU of Ningxia Changming according to their respective value-in-use calculation. This increased the Hashenleng CGU's goodwill impairment provision to RMB101,443,000 (31 December 2019: RMB68,000,000) and reduced the CGU's goodwill balance to zero at 31 December 2020 (31 December 2019: RMB33,443,000). While this was Ningxia Changming's CGU initial goodwill impairment recorded which fully reduced the CGU's goodwill to zero at 31 December 2020 (31 December 2019: RMB6,781,000).

(c) If the budgeted gross profit used in the value-in-use calculation for Hongtu represents 95% of management's estimates for the year ended 31 December 2020, the Group would have recognised a impairment of RMB22,580,000.

25 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2020 RMB'000	2019 RMB'000
Raw materials	**1,073,485**	938,035
Work in progress	**1,721,276**	1,568,133
Finished goods	**1,129,025**	1,073,611
Consignment materials	**852**	96,540
	3,924,638	3,676,319

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold	**6,856,187**	7,339,229
Write-down of inventories	**43,616**	12,635
Reversal of write-down of inventories	**(5,869)**	(17,510)
	6,893,934	7,334,354

26 Trade and bills receivables

	2020 RMB'000	2019 RMB'000
Trade debtors receivables	**2,340,898**	2,717,819
Less: allowance for doubtful debts	**(328,561)**	(316,116)
	2,012,337	2,401,703
Bills receivables (i)	**376,810**	314,125
	2,389,147	2,715,828

(i) Amounts represents the bank acceptance bills classified as financial assets at fair value through other comprehensive income, which the Group would discount or endorse for treasury management purpose.

26 Trade and bills receivables *(Continued)*

(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:

	2020 RMB'000	2019 RMB'000
Current	1,859,835	1,933,485
Less than 3 months past due	190,409	372,202
More than 3 months but less than 12 months past due	202,477	254,569
More than 1 year but less than 2 years past due	98,042	91,857
More than 2 years but less than 3 years past due	14,721	23,327
More than 3 years but less than 5 years past due	23,663	40,388
Amounts past due	529,312	782,343
	2,389,147	2,715,828

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 and bills receivables

The carrying amounts of the Group's trade and bills receivables as at 31 December 2020 and 31 December 2019 approximated their fair values.

(c) Impairment and risk exposure

The loss allowance increased by RMB12,445,000 from RMB316,116,000 as at 1 January 2020 to RMB328,561,000 as at 31 December 2020 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 can be found in note 5.

27 Deposits, other receivables and prepayments

	2020 RMB'000	2019 RMB'000
Advances to suppliers	479,031	451,222
Deductible input value-added tax and other refundable taxes	220,854	218,140
Deposits for tenders and contract work	124,879	135,907
Prepayments for services	17,810	13,915
Staff advances	6,242	8,379
Others	6,509	56,546
	855,325	884,109

28 Restricted bank deposits

	2020 RMB'000	2019 RMB'000
Deposits for performance guarantees	309,498	257,029

29 Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash in hand and demand deposits	2,560,890	2,534,752

30 Financial instruments at fair value through profit or loss

The Group classifies the following financial instruments at fair value through profit or loss.

(a) Wealth management products

	2020 RMB'000	2019 RMB'000
Wealth management products	**61,430**	–

(b) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss below. The Group has the following derivative financial instruments.

	2020		2019	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts – held for trading	**25,685**	**1,037**	3,210	876

At 31 December 2020 and 2019, 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.

(c) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value refer to note 4.

31 Bank loans

(a) At 31 December 2020, the bank loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	24,941	263,955
After 1 year but within 2 years	270,996	265,096
After 2 years but within 5 years	–	279,048
	295,937	808,099

(b) At 31 December 2020, 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 (2019: None).

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

	2020 RMB'000	2019 RMB'000
RMB	20,000	700
USD	267,521	771,568
HKD	8,416	35,831
	295,937	808,099

(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).

32 Trade and bills payables

	2020 RMB'000	2019 RMB'000
Trade creditors	**2,203,357**	2,155,947
Bills payables	**257,666**	264,445
	2,461,023	2,420,392

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

	2020 RMB'000	2019 RMB'000
Within 3 months	**2,022,138**	2,020,582
3 months to 12 months	**260,230**	217,230
Over 12 months	**178,655**	182,580
	2,461,023	2,420,392

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

33 Other payables and accrued expenses

	2020 RMB'000	2019 RMB'000
Accrued expenses	**548,464**	517,510
Employees' salary bonus and welfare	**397,159**	298,094
Preacquisition restructuring liabilities of a subsidiary	**63,076**	175,799
Deposits received	**80,903**	119,776
Payables in relation to share award scheme (note 36(b))	**68,360**	112,449
Other taxes payable	**229,965**	51,110
Payables for construction work	**60,680**	40,355
Other surcharges payable	**20,205**	15,107
Payables in relation to share-based transactions of a subsidiary (note 36(d))	**139,719**	–
Others	**35,221**	45,369
	1,643,752	1,375,569

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

34 Warranty provision

	2020 RMB'000	2019 RMB'000
At 1 January	**181,795**	286,213
Additional provision made	**73,901**	64,403
Reversal of provision	**(36,962)**	(128,953)
Provisions utilised	**(35,736)**	(39,203)
Exchange adjustment	**2,516**	(665)
At 31 December	**185,514**	181,795
Represented by:		
Current portion	**98,659**	113,915
Non-current portion	**86,855**	67,880
Balance at 31 December	**185,514**	181,795

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.

35 Other borrowings

Other borrowings represents the Group's obligations arising from sale and leaseback transactions where the leases are regarded as a finance lease. Management considers that the transactions are a means whereby the lessors provide finance to the Group, with the assets as security. The borrowings are paid by instalments within five years.

	2020 RMB'000	2019 RMB'000
Payments in relation to other borrowings as follows:		
Within one year	16,346	24,287
Later than one year but not later than two years	19,142	24,596
Later than two year but not later than three years	13,169	16,101
Later than three years	6,584	–
Total payments	55,241	64,984
Future finance charges	(5,595)	(4,943)
Total other borrowings	49,646	60,041
The present value of other borrowings is as follows:		
Within one year	13,449	21,586
Later than one year but not later than two years	17,378	22,743
Later than two year but not later than three years	12,311	15,712
Later than three years	6,508	–
Total other borrowings	49,646	60,041

36 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee 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 2020, 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 28 October 2011	3,150,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	2,700,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	35,720,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	76,620,000		

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

(a) Share option scheme *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HKD8.24	50,456,000	HKD7.23	66,550,000
Forfeited during the year	–	–	–	–
Exercised during the year	HKD2.48	(562,000)	HKD3.89	(13,434,000)
Lapsed during the year	HKD10.41	(1,260,000)	HKD4.90	(2,660,000)
Outstanding at the end of the year	HKD8.26	48,634,000	HKD8.24	50,456,000
Exercisable at the end of the year		48,634,000		50,456,000

The options outstanding at 31 December 2020 had an exercise price of HKD2.48 and HKD11.24 (2019: HKD2.48 and HKD11.24) and a weighted average remaining contractual life of 2.539 years (2019: 3.539 years).

(iii) Fair value of share options and assumptions

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the share options granted are measured based on a binomial lattice model. The contractual lives of the share option are used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Date granted	28 October 2011	5 June 2014
Fair value at measurement date	HKD1.02	HKD4.70
Share price	HKD2.48	HKD11.00
Exercise price	HKD2.48	HKD11.24
Expected volatility	55.98%	45.89%
Option life	10 years	10 years
Expected dividends	2.67%	1.55%
Risk-free interest rate	1.57%	2.04%

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities based on publicly available information. Expected dividends are based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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

(b) Restricted share award scheme

The shareholders of Company approved the Restricted Share Award Scheme (2018) (the "Award Scheme") on 10 August 2018 (the "Grant Date"). Subsequently 46,212,500 restricted shares were issued and allotted to a trustee which holds the restricted shares on behalf of the selected participants until the restricted shares are vested. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the issue of the restricted shares to the vesting date (both dates inclusive) of such restricted shares, which shall however only be vested by the relevant selected participant on the vesting date subject to fulfilment of vesting conditions of the restricted shares.

The selected participants include certain Directors of the Company, certain members of senior management and employees of the Group who under the terms of the Award Scheme subscribed for the restricted shares at HKD 3.71 per share (the "Subscription Price").

Under the terms of the Award Scheme, 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.

	2020	2019
Number of awarded shares		
Outstanding at the beginning of the year	**32,453,750**	46,212,500
Vested during the year	**(13,417,050)**	(13,758,750)
Outstanding as at 31 December	**19,036,700**	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 Equity-settled share-based transactions *(Continued)*

(c) Share award scheme 2020

The Board of the Company adopted the Share Award Scheme 2020 (the "Award Scheme 2020") on 3 April 2020. According to the Award Scheme 2020, the Board may at its absolute discretion select any employee of the Group to be an eligible participant under the Scheme. The Board may also determine the number of shares to be granted (subject to fulfillment of any vesting conditions) and the consideration (if any) to be paid by an eligible participant. The Board has appointed a trustee to purchase of shares of the Company on the Stock Exchange out of the Company's resources. The trustee shall hold such shares in accordance with the terms of the trust deed and shall transfer such shares to the relevant participants after all the relevant vesting conditions are fulfilled.

As of 31 December 2020, the trustee has purchased 37,074,000 shares of the Company which unit price at HKD3.23 to HKD4.25, totalling HKD129,767,000 (equivalent to approximately RMB115,454,000), under the Award Scheme 2020 and no shares have been granted to any employee.

(d) Share award scheme of a subsidiary

The Board of the Company adopted the Share Award Scheme of a subsidiary (the "CIMC Safe Tech Award Scheme") on 27 November 2020 to recognise the past and present contributions and to incentivize the future contributions by the Participants to the Chemical and Environmental Business Unit. Pursuant to the Scheme. Equity Interest in CIMC Safe Tech will be granted to the Participants through the Partnership Platforms by way of subscribing for new share capital in CIMC Safe Tech.

The total capital contribution by the Participants (through the Partnership Platforms) are approximately RMB139,719,000, representing 10% of the enlarged share capital of CIMC Safe Tech upon completion of the Capital Increase pursuant to the Scheme. As at 31 December 2020, the vesting conditions are not fulfilled and the selected participants were not entitled any distribution of CIMC Safe Tech.

37 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet:

	2020 RMB'000	2019 RMB'000
Current tax payable at the beginning of the year	**51,226**	26,196
Provision for income tax on profit for the year	**228,655**	170,837
Current tax paid	**(150,362)**	(146,023)
Exchange adjustment	**2,245**	216
Current tax payable at the end of the year	**131,764**	51,226

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

(b) Deferred tax assets and liabilities recognised:

	2020 RMB'000	2019 RMB'000
Deferred tax assets recognised on the consolidated balance sheet	**99,451**	113,963
Deferred tax liabilities recognised on the consolidated balance sheet	**175,337**	199,639
Deferred tax liabilities (net)	**(75,886)**	(85,676)

As at 31 December 2020, the amount of RMB71,065,000 was offseted between deferred tax assets and deferred tax liabilities.

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

	Provision for impairment losses RMB'000	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 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	–	(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)
At 1 January 2020	**135,031**	**(47,975)**	**10,929**	**5,464**	**31,826**	**(110,362)**	**115,879**	**(227,475)**	**1,007**	**(85,676)**
(Charged)/credited to the income statement	**(50,813)**	**27,672**	**(1,131)**	**(11,827)**	**(3,171)**	**13,440**	**(75,078)**	**113,738**	**(365)**	**12,465**
Addition through business combination	**–**	**324**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**324**
Exchange adjustment	**–**	**(280)**	**–**	**–**	**–**	**(2,749)**	**–**	**–**	**30**	**(2,999)**
At 31 December 2020	**84,218**	**(20,259)**	**9,798**	**(6,363)**	**28,655**	**(99,671)**	**40,801**	**(113,737)**	**672**	**(75,886)**

37 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 RMB1,939,820,000 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation. Tax losses of approximately RMB71,832,000, RMB1,575,396,000, RMB79,157,000, RMB76,675,000 and RMB136,760,000 will expire in 2021, 2022, 2023, 2024 and 2025, respectively.

38 Deferred income

	2020 RMB'000	2019 RMB'000
At 1 January	**235,858**	248,646
Additions	**56,947**	762
Acquisition through business combination	**–**	2,252
Recognised in the income statement	**(10,787)**	(15,802)
At 31 December	**282,018**	235,858

Deferred income mainly represents government grants obtained for the purposes of sponsoring the costs of construction of plants incurred by the Group. The related deferred income was recognised in the income statement over the useful life of the assets to match the depreciation charge of the relevant assets after the completion.

39 Employee benefit liabilities

Employee benefit liabilities represent provision for jubilee benefits, a defined contribution scheme, which are payable to the employees under the employment benefit schemes operated by the Group.

40 Capital and reserves

(a) Share capital

	2020 Number of shares	2020 RMB'000	2019 Number of shares	2019 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	2,010,994,588	18,376	2,010,432,588	18,371

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

	2020 Number of shares of HKD0.01 each	2020 RMB'000	2019 Number of shares of HKD0.01 each	2019 RMB'000
At 1 January	2,010,432,588	18,371	1,996,998,588	18,253
Exercise of share options (note 36)	562,000	5	13,434,000	118
At 31 December	2,010,994,588	18,376	2,010,432,588	18,371

40 Capital and reserves *(Continued)*

(a) Share capital *(Continued)*

(i) The Company was incorporated in the Cayman Islands under the Companies Law (Revised) as an exempted company with limited liability on 28 September 2004.

On 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 2020 and 2019, no convertible preference shares of the Company were issued.

40 Capital and reserves *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands.

(ii) Contributed surplus

The contributed surplus of the Group includes the difference between

(a) the nominal value of the share capital and the existing balance on the share premium account of a subsidiary acquired; and the nominal value of the shares issued by the Company in exchange under a reorganisation of the Group during the year ended 31 December 2005;

(b) the nominal value of the share capital and the existing balance on the share premium account of the subsidiaries acquired; and the nominal value of the shares issued by the Company in exchange for the acquisition of certain subsidiaries during the year ended 31 December 2009;

(c) the registered capital of Nantong Transport acquired of RMB69,945,550; and the aggregate cash consideration paid by the Group of RMB66,330,000 for the acquisition of Nantong Transport during the year ended 31 December 2012;

(d) the registered capital of Holvrieka (China) Co., Ltd. ("NCLS") acquired of RMB324,539,380; and the nominal value of the 39,740,566 ordinary shares issued by the Company in exchange for the acquisition of NCLS during the year ended 31 December 2014; and

(e) the nominal value of the share capital of Burg Service B.V. acquired 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 46).

(c) the capital reserve arising from conversion of a subsidiary from a limit liability company into a joint stock company.

(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.

40 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 Belgium Law. The 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 2020, the Company had RMB5,810,625,000 available for distribution to equity shareholders of the Company (2019: RMB5,267,057,000).

(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.

40 Capital and reserves *(Continued)*

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

(vii) Capital management *(Continued)*

Consistent with the Group's capital management strategy in 2019, 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	2020 RMB'000	2019 RMB'000
Total liabilities			
Bank loans	31	**295,937**	808,099
Loans from related parties	45(d)	**667,506**	186,402
Trade and bills payables	32	**2,461,023**	2,420,392
Contract liabilities	14(d)	**2,438,378**	2,870,689
Other payables and accrued expenses	33	**1,643,752**	1,375,569
Amounts due to related parties	45(c)	**146,532**	84,200
Other borrowings	35	**49,646**	60,041
Warranty provision	34	**185,514**	181,795
Lease liabilities	17	**120,505**	35,622
Total debt		**8,008,793**	8,022,809
Less: Cash and cash equivalents	29	**(2,560,890)**	(2,534,752)
Net debt		**5,447,903**	5,488,057
Total equity		**7,471,358**	7,384,511
Less: Proposed dividends	12	**(241,812)**	(364,523)
Adjusted capital		**7,229,546**	7,019,988
Net debt to adjusted capital ratio		**75%**	78%

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

41 Retirement benefits

The subsidiaries in the PRC participate in government pension schemes whereby they are required to pay annual contributions at certain rates of the basic salaries of their PRC employees. Under these schemes, retirement benefits of the existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

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

42 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)
Acquisition – leases (note 17)	–	–	–	–	(25,623)	(25,623)
Acquisition through business combination (note 46)	(252,177)	–	–	–	–	(252,177)
Transfer from other payables (note 34)	–	–	–	(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)
Net debt as at 31 December 2019	(263,955)	(544,144)	(186,402)	(60,041)	(35,622)	(1,090,164)
Cash flows	**231,093**	**254,650**	**(481,104)**	**13,083**	**20,684**	**38,406**
Interest charge	**–**	**–**	**–**	**(2,688)**	**(105,631)**	**(108,319)**
Other charges (i)	**7,921**	**18,498**	**–**	**–**	**64**	**26,483**
Net debt as at 31 December 2020	**(24,941)**	**(270,996)**	**(667,506)**	**(49,646)**	**(120,505)**	**(1,133,594)**

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

43 Contingencies

(a) Guarantee

A non-wholly owned subsidiary of the Group provided guarantee and pledged certain of its assets as collaterals to its non-controlling shareholder in respect of the non-controlling shareholder's bank borrowings. As at 31 December 2020, the Group's maximum exposure to such guarantees was approximately RMB20,000,000.

(b) Performance guarantees

As at 31 December 2020, the Group had outstanding performance guarantees issued by relevant banks totalling RMB771,653,000 (31 December 2019: RMB369,932,000).

44 Commitments

(a) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements are as follows:

	2020 RMB'000	2019 RMB'000
Contracted for		
– Production facilities	40,049	97,062

(b) At 31 December 2020, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	10,919	1,055
After 1 year but within 5 years	–	3
	10,919	1,058

The Group has already adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. For the twelve months ended 31 December 2020, the future minimum lease payments mainly include the short-term leases and low-value leases which are out of scope of HKFRS 16.

45 Material related party transactions

Saved as disclosed in other notes of these financial statements, the following transactions were carried out with CIMC and its subsidiaries and associates:

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions

		2020 RMB'000	2019 RMB'000
Sales	(i)	**85,702**	201,221
Purchases	(ii)	**232,705**	159,748
Comprehensive charges	(iii)	**7,595**	7,392
Processing charges	(iv)	**23,808**	23,325
Processing income	(v)	**230**	914
Office services income	(vi)	**5,417**	1,738
Loans from related parties	(vii)	**1,842,000**	271,402
Repayment of loans from related parties	(vii)	**1,360,896**	120,000
Loan interest expenses	(vii)	**10,849**	4,519
Deposit service	(viii)	**418,410**	529,457
Interest income from deposits	(viii)	**2,615**	4,290
Subcontracting charges	(ix)	**52,685**	–

(i) Sales to related parties mainly represent sales of products to related parties.

(ii) Purchases from related parties mainly represent purchases of raw materials for production.

(iii) Comprehensive charges mainly represent services including staff messing, medical expenses and general services provided to the Group by related parties.

(iv) Processing charges mainly represent processing services, site leasing and other related services provided to the Group by related parties.

(v) Processing income mainly represents processing services of welding, heat treatment and testing provided to related parties by the Group.

(vi) Office services income mainly represents provision of office services including staff catering, transportation services, site leasing and general office services to related parties.

(vii) The loans are unsecured, interest bearing from3.80% to 4.75% (2019: 4.20% to 5.44%) per annum and are repayable between 1 to 4 years.

(viii) Deposit service represents deposit acceptance service provided by a related party to the Group. The amount represents the maximum daily outstanding balance of the Group's deposits placed with a related party. The deposits bear interest from 0.46% to 2.46% (2019: 0.46% to 1.76%) and can be withdrawn on demand.

(ix) Subcontracting services mainly represent services for construction of an entire ship or any parts thereof and other related services provided to the Group by related parties.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

45 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:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**29,386**	20,523
Share-based compensation benefits	**1,863**	10,149
	31,249	30,672

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

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

	2020 RMB'000	2019 RMB'000
Trade receivables for products sold and other receivables	**99,366**	128,568
Trade payables for raw material purchased and receipts in advance for sales	**(146,532)**	(84,200)

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

(d) Loans from related parties

	2020 RMB'000	2019 RMB'000
Loans from related parties	**667,506**	186,402

(i) The loans are unsecured, interest bearing from 3.80% to 4.75% (2019: 4.20% to 5.44%) per annum and are repayable between 1 to 4 years.

45 Material related party transactions *(Continued)*

(e) Deposits placed with a related party

	2020 RMB'000	2019 RMB'000
Deposits	**404,854**	404,495

(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 29).

(f) Other borrowing from a related party

	2020 RMB'000	2019 RMB'000
Other borrowing	**35,852**	36,902

(i) The other borrowing is interest bearing of 6.51% (2019: 3.72%) per annum and is repayable in 3 years.

46 Transactions with non-controlling interests

Acquisition of additional interest in three subsidiaries

(a) On 17 August 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 25% of ordinary shares of Hashenleng held by the non-controlling interest shareholders at the consideration of RMB21,875,000.

On 19 November 2020, the transaction was completed. The carrying amount of the non-controlling interests of Hashenleng on the completion date of acquisition was RMB38,532,000. The Group recognised a decrease in non-controlling interests of RMB38,532,000 and an increase in capital reserve of the Company of RMB16,657,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during the year is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	21,875
Carrying amount of non-controlling interests acquired	(38,532)
Excess of consideration paid recognised within equity	(16,657)

As at 31 December 2020, the consideration had been fully settled.

(b) On 31 August 2020, the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 30% of ordinary shares of EBG held by the non-controlling interest shareholders at the consideration of RMB3,000,000.

On 31 August 2020, the transaction was completed. The carrying amount of the non-controlling interests of EBG on the completion date of acquisition was RMB1,883,000. The Group recognised a decrease in non-controlling interests of RMB1,883,000 and a decrease in capital reserve of the Company of RMB1,117,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during the year is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	3,000
Carrying amount of non-controlling interests acquired	(1,883)
Excess of consideration paid recognised within equity	1,117

As at 31 December 2020, the consideration had been fully settled.

46 Transactions with non-controlling interests *(Continued)*

Acquisition of additional interest in three subsidiaries *(Continued)*

(c) On 28 September 2020, Nantong Tank, a subsidiary of the Group entered into a sale and purchase agreement with the non-controlling shareholders, pursuant to which, the Group would purchase 25% of ordinary shares of GCT held by the non-controlling interest shareholders at the consideration of RMB3,000,000.

On 19 November 2020, the transaction was completed. The carrying amount of the non-controlling interests of GCT on the completion date of acquisition was RMB3,221,000. The Group recognised a decrease in non-controlling interests of RMB3,221,000 and an increase in capital reserve of the Company of RMB221,000. The effect of changes in the ownership interest of the subsidiary on the equity attributable to owners of the Group during the year is summarised as follows:

	2020 RMB'000
Consideration paid to non-controlling interests	**3,000**
Carrying amount of non-controlling interests acquired	**(3,221)**
Excess of consideration paid recognised within equity	**(221)**

As at 31 December 2020, the consideration had been fully settled.

47 Business combinations

(a) On 1 January 2020, the Group acquired all shares of Lindenau Full Tank Services GmbH, a company that is principally engaged in construction, repair and maintenance of all kinds of tank containers and trailers, as well as in repair and maintenance of cryogenic equipment, at a cash consideration of EUR 3,010,000 from a third party.

(b) On 3 April 2020, the Group acquired all shares of McMillan (Coppersmiths & Fabricators) Ltd., a company that is principally engaged in production and sale of copper equipment in the distilling and brewing industry, at a cash consideration of GBP 3,800,000 from third parties.

(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.

	LFTS RMB'000	McMlillan RMB'000	Total RMB'000
Purchase consideration			
– Cash paid	23,328	33,223	56,551

47 Business combinations *(Continued)*

(c) *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

		Fair value	
	LFTS RMB'000	McMillan RMB'000	Total RMB'000
Cash and cash equivalents	2,015	2,256	4,271
Property, plant and equipment	9,013	10,972	19,985
Intangible assets	256	–	256
Inventories	4,619	316	4,935
Construction in progress	2,767	–	2,767
Deferred tax assets/(liabilities)	1,085	(761)	324
Trade and bills receivables, other receivables deposits and prepayments	4,146	428	4,574
Trade and bills payables, other payable and accrued expense	(4,355)	(3,034)	(7,389)
Total identifiable net assets	19,546	10,177	29,723
Goodwill	3,782	23,046	26,828
	23,328	33,223	56,551

		Fair value	
	LFTS RMB'000	McMillan RMB'000	Total RMB'000
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	23,328	33,223	56,551
– cash and cash equivalents in the subsidiaries acquired	(2,015)	(2,256)	(4,271)
Net cash outflow on acquisition	21,313	30,967	52,280

48 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	4,767,618	5,074,304
Right-of-use assets	1,521	–
	4,769,139	5,074,304
Current assets		
Accounts receivable	201	–
Other receivables	4,898	3,023
Amounts due from subsidiaries	5,074,831	2,869,030
Cash and cash equivalents	18,497	19,375
	5,098,427	2,891,428
Current liabilities		
Bank loans	14,941	263,255
Other payables and accrued expenses	79,261	117,335
Amounts due to subsidiaries	3,568,634	1,584,673
Current lease liabilities	833	–
	3,663,669	1,965,263
Net current assets	1,434,758	926,165
Total assets less current liabilities	6,203,897	6,000,469
Non-current liabilities		
Bank loans	260,996	544,144
Non-current lease liabilities	1,002	–
	261,998	544,144
NET ASSETS	5,941,899	5,456,325
CAPITAL AND RESERVES		
Share capital	18,376	18,371
Reserves	5,923,523	5,437,954
TOTAL EQUITY	5,941,899	5,456,325

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

(b) Reserve movement of the Company

	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(iv)	Retained Earnings RMB'000	Total RMB'000
At 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 36)	–	–	–	36,669	–	–	36,669
2018 final dividends paid	–	–	–	–	–	(246,109)	(246,109)
At 31 December 2019 and 1 January 2020	**446,706**	**(101,813)**	**4,903,654**	**170,897**	**(58,837)**	**77,347**	**5,437,954**
Total comprehensive income for the year	–	–	–	–	(16,225)	931,909	915,684
Issuance of shares in connection with exercise of share options	1,739	–	–	(5,366)	–	4,862	1,235
Purchase of shares in connection with share award scheme	–	(115,454)	–	–	–	–	(115,454)
Shares held for share award scheme – vesting of awarded shares	34,257	41,903	–	(34,257)	–	–	41,903
Equity-settled share-based transactions (note 36)	–	–	–	6,581	–	–	6,581
2019 final dividends paid	–	–	–	–	–	(364,380)	(364,380)
At 31 December 2020	**482,702**	**(175,364)**	**4,903,654**	**137,855**	**(75,062)**	**649,738**	**5,923,523**

49 Immediate and ultimate controlling party

At 31 December 2020 and 2019, 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.

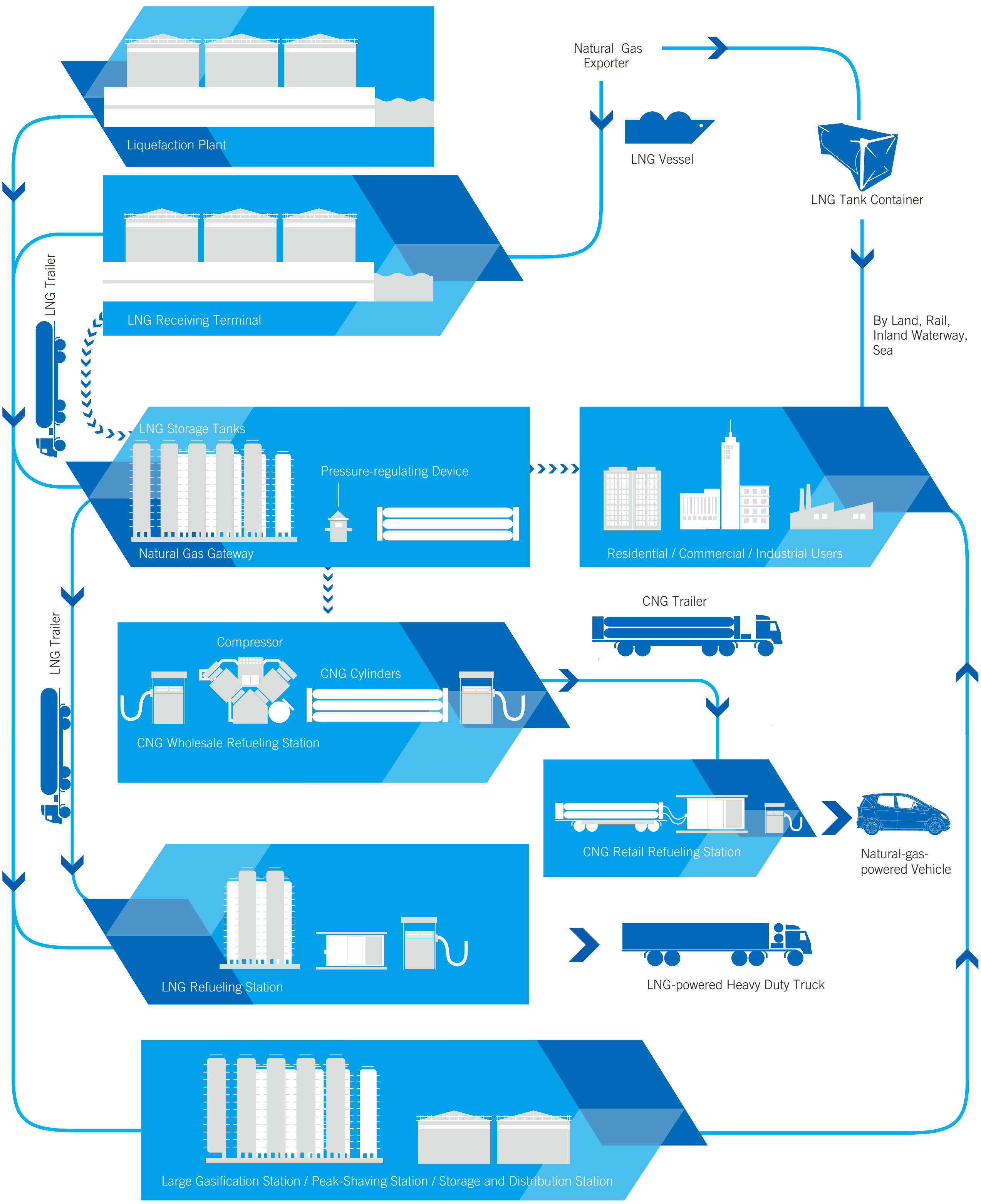
At 31 December 2020 and 2019, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

GLOSSARY

In this report, the following expressions have the following meanings, unless the context otherwise requires:

"AGM"	the annual general meeting of the Company
"Articles"	articles of association of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Charm Wise"	Charm Wise Limited
"CIMC"	中國國際海運集裝箱(集團)股份有限公司 China International Marine Containers (Group) Co., Ltd., a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange, and is the controlling shareholder of the Company
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC HK"	China International Marine Containers (Hong Kong) Limited 中國國際海運集裝箱(香港)有限公司
"CNG"	compressed natural gas
"Company/CIMC Enric"	CIMC Enric Holdings Limited
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Natural Gas Full Value Chain Coverage
(Liquification, Storage & Distribution and Downstream Applications)



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