CIMC ENRIC

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code 股份代號: 3899

2019
Interim Report
中期報告

Vision 願景

To be a respected world-leading enterprise in clean energy, chemical and environmental, and liquid food industries.
成為清潔能源、化工環境、液態食品領域受人尊敬的全球領先企業。

Mission 使命

To create value for customers; to achieve career goals for employees; to generate return for shareholders; to take up social responsibilities.
為客戶創造價值，為員工成就事業，為股東贏得回報，對社會履行責任。

About Us 關於我們

Founded in 2004, CIMC Enric has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group. Our production bases and R&D centres are located in various countries including China, the Netherlands, Germany, Belgium, Denmark, United Kingdom and Canada, shaping an interactive and complementary business model across China and Europe. Our sales and marketing network spans across the world.
中集安瑞科於2004年成立，自2005年在香港聯交所上市，為中集集團成員之一。
我們在中國、荷蘭、德國、比利時、丹麥、英國及加拿大等國家擁有生產基地和研發中心，形成了中歐互動、互為支持的產業格局。我們的營銷網絡遍布全球。

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Financial Highlights

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000	+/–
FINANCIAL POSITION			
Total assets	**15,477,665**	15,853,354	–2.4%
Net assets	**6,880,367**	6,545,794	+5.1%
Net current assets	**3,692,501**	3,671,599	+0.6%
Cash and cash equivalents	**1,856,293**	2,930,271	–36.7%
Bank loans and loans from related parties	**1,160,373**	1,199,107	–3.2%
Gearing ratio[1]	**16.9%**	18.3%	–1.4 ppt

	For the six months ended 30 June		
	2019 RMB'000	2018 RMB'000	+/–
OPERATING RESULTS			
Revenue	**6,584,418**	5,649,719	+16.5%
Gross profit	**1,007,258**	878,652	+14.6%
EBITDA	**646,212**	569,246	+13.5%
Profit from operations	**505,899**	434,256	+16.5%
Profit attributable to equity shareholders	**382,879**	308,353	+24.2%
PER SHARE DATA			
Earnings per share – Basic	**RMB0.196**	RMB0.159	+23.3%
Earnings per share – Diluted	**RMB0.193**	RMB0.157	+22.9%
Net asset value per share	**RMB3.442**	RMB3.097	+11.1%
KEY STATISTICS			
GP ratio	**15.3%**	15.6%	–0.3 ppt
EBITDA margin	**9.8%**	10.1%	–0.3 ppt
Operating profit margin	**7.7%**	7.7%	–
Net profit margin[2]	**5.8%**	5.5%	+0.3 ppt
Return on equity (half year)[3]	**5.9%**	5.3%	+0.6 ppt
Interest coverage – times	**21.7**	15.6	+6.1
Inventory turnover days	**116**	124	–8
Debtor turnover days	**84**	90	–6
Creditor turnover days	**82**	90	–8

Notes:

1 Gearing ratio = Bank loans and loans from related parties ÷ Total equity

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

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

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT
TO THE BOARD OF DIRECTORS OF CIMC ENRIC HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 4 to 32, which comprises the consolidated balance sheet of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2019

Consolidated Income Statement

For the six months ended 30 June 2019 – unaudited

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
Revenue	5	**6,584,418**	5,649,719
Cost of sales		**(5,577,160)**	(4,771,067)
Gross profit		**1,007,258**	878,652
Change in fair value of derivative financial instruments		**(4,845)**	(4,319)
Other revenue	6(a)	**137,672**	130,572
Other income, net	6(b)	**52,992**	20,179
Net (impairment loss)/reversal of impairment provision on financial assets	7(c)	**(13,625)**	7,339
Selling expenses		**(185,846)**	(178,668)
Administrative expenses		**(487,707)**	(419,499)
Profit from operations		**505,899**	434,256
Finance costs	7(a)	**(31,452)**	(30,344)
Profit before taxation	7	**474,447**	403,912
Income tax expenses	8	**(87,014)**	(89,265)
Profit for the period		**387,433**	314,647
Attributable to:			
Equity shareholders of the Company		**382,879**	308,353
Non-controlling interests		**4,554**	6,294
Profit for the period		**387,433**	314,647
Earnings per share	9		
– Basic		**RMB0.196**	RMB0.159
– Diluted		**RMB0.193**	RMB0.157

The notes on pages 11 to 32 form an integral part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**387,433**	314,647
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**967**	(18,738)
Total comprehensive income for the period	**388,400**	295,909
Attributable to:		
Equity shareholders of the Company	**383,846**	289,615
Non-controlling interests	**4,554**	6,294
Total comprehensive income for the period	**388,400**	295,909

The notes on pages 11 to 32 form an integral part of this interim financial report.

Consolidated Balance Sheet

As at 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**3,007,303**	2,615,084
Right-of-use assets	*11*	**14,149**	–
Construction in progress		**253,160**	148,938
Lease prepayments		**615,142**	577,541
Intangible assets		**255,471**	204,976
Equity investments		**129,739**	129,739
Investment in associates		**15,661**	1,661
Prepayment for acquisition of equity interests	*12*	**50,000**	50,000
Goodwill		**263,999**	256,849
Deferred tax assets		**109,176**	107,333
		4,713,800	4,092,121
Current assets			
Derivative financial instruments		**438**	1,749
Inventories	*13*	**3,301,850**	3,864,951
Contract assets		**1,342,559**	787,547
Trade and bills receivables	*14*	**3,097,725**	3,011,733
Deposits, other receivables and prepayments		**825,448**	616,760
Amounts due from related parties	*22(b)*	**90,346**	183,251
Restricted bank deposits	*15(a)*	**249,206**	364,971
Cash and cash equivalents	*15(b)*	**1,856,293**	2,930,271
		10,763,865	11,761,233
Current liabilities			
Derivative financial instruments		**7,049**	3,515
Financial liability at fair value through profit or loss	*23(c)*	**48,000**	–
Lease liabilities		**5,598**	–
Bank loans	*16*	**177,915**	477,787
Loans from related parties	*22(c)*	**20,000**	35,000
Other borrowings		**8,376**	8,305
Trade and bills payables	*17*	**2,342,218**	2,711,308
Contract liabilities		**2,715,640**	2,950,127
Other payables and accrued expenses		**1,400,207**	1,525,315
Amounts due to related parties	*22(b)*	**133,251**	151,699
Warranty provision		**186,239**	199,902
Income tax payable		**26,405**	26,196
Employee benefit liabilities		**466**	480
		7,071,364	8,089,634
Net current assets		**3,692,501**	3,671,599
Total assets less current liabilities		**8,406,301**	7,763,720

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Non-current liabilities			
Bank loans	*16*	**962,458**	686,320
Non-current lease liabilities		**8,350**	–
Warranty provision		**91,793**	86,311
Deferred tax liabilities		**194,639**	169,235
Deferred income		**245,565**	248,646
Employee benefit liabilities		**4,195**	4,321
Other borrowings		**18,934**	23,093
		1,525,934	1,217,926
NET ASSETS		**6,880,367**	6,545,794
CAPITAL AND RESERVES			
Share capital		**18,270**	18,253
Reserves	*19*	**6,564,564**	6,349,454
Equity attributable to equity shareholders of the Company		**6,582,834**	6,367,707
Non-controlling interests		**297,533**	178,087
TOTAL EQUITY		**6,880,367**	6,545,794

The notes on pages 11 to 32 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000 *(Note 19(b))*	Capital reserve RMB'000 *(Note 19(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 19(d))*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (restated)	17,793	168,902	1,127,571	177,699	(320,797)	483,554	4,054,255	5,708,977	145,140	5,854,117
Profit for the period	–	–	–	–	–	–	308,353	308,353	6,294	314,647
Other comprehensive income	–	–	–	–	(18,738)	–	–	(18,738)	–	(18,738)
Total comprehensive income for the period	–	–	–	–	(18,738)	–	308,353	289,615	6,294	295,909
Issuance of shares in connection with exercise of share options	60	25,787	–	(7,515)	–	–	–	18,332	–	18,332
Transfer to retained earnings	–	–	–	(2,250)	–	–	2,250	–	–	–
Equity-settled share-based transactions	–	–	–	3,078	–	–	–	3,078	–	3,078
Transfer to general reserve fund	–	–	–	–	–	10,949	(10,949)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,231	1,231
2017 final dividend paid	–	–	–	–	–	–	(131,486)	(131,486)	–	(131,486)
Distribution to previous shareholders of Nantong Yongxin Logistics Co., Ltd under common control combination	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the Company, recognised directly in equity	60	25,787	(3,000)	(6,687)	–	10,949	(140,185)	(113,076)	1,231	(111,845)
At 30 June 2018	17,853	194,689	1,124,571	171,012	(339,535)	494,503	4,222,423	5,885,516	152,665	6,038,181

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 *(Note 18(b))*	Contributed surplus RMB'000 *(Note 19(b))*	Capital reserve RMB'000 *(Note 19(c))*	Exchange reserve RMB'000	General reserve fund RMB'000 *(Note 19(d))*	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 period	-	-	-	-	-	-	-	382,879	382,879	4,554	387,433
Other comprehensive income	-	-	-	-	-	967	-	-	967	-	967
Total comprehensive income for the period	-	-	-	-	-	967	-	382,879	383,846	4,554	388,400
Issuance of shares in connection with exercise of share options	17	8,202	-	-	(2,400)	-	-	-	5,819	-	5,819
Shares held for share award scheme – vesting of awarded shares	-	35,652	42,891	-	(35,652)	-	-	-	42,891	-	42,891
Equity-settled share-based transactions	-	-	-	-	28,680	-	-	-	28,680	-	28,680
Transfer to general reserve fund	-	-	-	-	-	-	10,471	(10,471)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	37,500	37,500
2018 final dividend paid	-	-	-	-	-	-	-	(246,109)	(246,109)	-	(246,109)
Dividends distribution made by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,915)	(1,915)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	79,307	79,307
Total contributions by and distributions to owners of the Company, recognised directly in equity	17	43,854	42,891	-	(9,372)	-	10,471	(256,580)	(168,719)	114,892	(53,827)
At 30 June 2019	18,270	385,417	(102,086)	1,124,571	181,307	(358,519)	529,582	4,804,292	6,582,834	297,533	6,880,367

The notes on pages 11 to 32 form an integral part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Operating activities			
Cash (used in)/generated from operations		**(221,479)**	341,430
Income tax paid		**(74,645)**	(73,957)
Net cash (used in)/generated from operating activities		**(296,124)**	267,473
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(146,603)**	(128,609)
Payment for lease prepayments		**(9,521)**	(83,043)
Payment for acquisition of intangible assets		**(1,623)**	(5,532)
Prepayment for acquisition of equity interests	*12*	**–**	(50,000)
Acquisition of subsidiaries	*23(c)*	**(118,558)**	(3,000)
Capital contribution to the associate		**(14,000)**	–
Proceeds from disposal of property, plant and equipment		**18,227**	464
Interest received	*6(a)*	**6,821**	8,152
Dividend income from equity investments	*6(a)*	**2,664**	–
Investment income from derivative financial instruments	*6(b)*	**3,980**	–
Restricted bank deposits		**–**	(6,001)
Net cash used in investing activities		**(258,613)**	(267,569)
Financing activities			
Proceeds from new bank loans		**334,554**	516,510
Repayment of bank loans		**(614,284)**	(497,260)
Interest paid		**(22,074)**	(31,271)
Proceeds from issuance of ordinary shares		**5,819**	18,332
Dividends paid to non-controlling interests		**(1,915)**	–
Dividends paid to the Company's shareholders		**(246,109)**	(131,486)
Loans from related parties		**10,000**	307,750
Repayment of loans from related parties		**(25,000)**	(80,000)
Repayment of other borrowings		**(4,088)**	(4,064)
Repayment of lease liabilities		**(2,036)**	–
Capital contribution from non-controlling interests		**37,500**	1,231
Net cash (used in)/generated from financing activities		**(527,633)**	99,742
Net (decrease)/increase in cash and cash equivalents		**(1,082,370)**	99,646
Cash and cash equivalents at 1 January	*15(b)*	**2,930,271**	2,259,890
Effect of foreign exchange rate changes		**8,392**	23,084
Cash and cash equivalents at 30 June	*15(b)*	**1,856,293**	2,382,620

The notes on pages 11 to 32 form an integral part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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.

This condensed consolidated interim financial report was approved for issue on 22 August 2019.

This condensed consolidated interim financial report has been reviewed, not audited.

2 Significant accounting policies

(a) Basis of preparation of the interim financial report

This interim financial report for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, where applicable, as a result of adopting the following standards:

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

The adoption of the new and amended standards does not have significant impact on the interim financial report except for HKFRS 16. Please refer to note 2(d) below.

(c) New standards and interpretations not yet adopted

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of Material	1 January 2020
HKFRS 17, Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

(d) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial report and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

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

(i) Impact on the financial report

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**59,797**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**56,361**
Short-term leases and low-value leases recognised on a straight-line basis as expense	**(40,746)**
Lease liability recognised as at 1 January 2019	**15,615**
Of which are:	
Lease liabilities	**5,512**
Non-current lease liabilities	**10,103**

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

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Property and plant	**14,149**	16,667

The lease prepayment have been separately presented in the consolidated balance sheet, and has been measured in accordance with HKFRS 16.

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

- right-of-use assets – increase by RMB16,667,000
- deposits, other receivables and prepayments – decrease by RMB1,052,000
- lease liabilities – increase by RMB15,615,000

There was no significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

(ii) *Practical expedients applied*

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

The Group leases plant and buildings for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 5 years. 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, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and plant were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets consist of properties and land use rights.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases and 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.

3 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

	At 30 June 2019		At 31 December 2018	
	Level 2	**Level 3**	Level 2	Level 3
	RMB'000	**RMB'000**	RMB'000	RMB'000
Financial assets				
– FVPL – foreign currency forwards	**438**	**–**	1,749	–
– FVOCI – equity investments	**–**	**129,739**	–	129,739
Financial liabilities				
– FVPL – foreign currency forwards	**7,049**	**–**	3,515	–
– FVPL – contingent consideration (note 23)	**–**	**48,000**	–	–

As at 30 June 2019, the Group's financial instruments measured at fair value through profit or loss ("FVPL") were derivative financial instruments arising from forward exchange contracts which were classified as level 2 and contingent consideration which was classified as Level 3. 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 they are 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. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As at 30 June 2019, the Group's financial instruments measured at fair value through other comprehensive income ("FVOCI") were equity investments in unlisted entities which were classified as Level 3.

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 30 June 2019.

(b) Valuation techniques used to determine fair value

Level 2 financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates at the balance sheet date.

Level 3 financial instruments comprise equity investments and contingent consideration. The fair value of these investments is determined using discounted cash flow analysis.

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

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every six months, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate, that reflects current market assessments of the time value of money and the risk specific to the asset.

- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies.

- Expected cash flows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2019:

	Equity investments RMB'000	**Contingent consideration** RMB'000	**Total** RMB'000
Opening balance			
31 December 2018	129,739	–	129,739
Acquisitions	–	(48,000)	(48,000)
Closing balance			
30 June 2019	**129,739**	**(48,000)**	**81,739**

(i) Equity investments

The Group invested in these unlisted entities at a time close to the year end of 2018 and investment consideration was determined with reference to the fair value of these unlisted entities. The Directors considered change of the fair value during six months ended 30 June 2019 as insignificant after taking into account the current operations of the investees.

(ii) Contingent consideration payable

As disclosed in note 23(c), the fair value of the contingent consideration arrangement of RMB48,000,000 was estimated based on the value of probable future cash outflow without discount, because the payment will occur in one year.

(d) Fair value of other financial instruments

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

4 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 for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments based on the economic characteristic 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 ships 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 provision of eco-friendly storage equipment and solid waste management system.

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management, which is 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 and certain liabilities unallocated to an individual reportable segment.

Segmental revenue and expenses are allocated to the reportable segments with reference to sales generated by/assets attributable to those segments and the expenses incurred by 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 operation are further adjusted for items not specifically attributed to an individual reportable segment, such as finance costs, 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, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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

	Clean energy		Chemical and environmental		Liquid food		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Revenue from external customers	**3,120,071**	2,516,134	**1,932,867**	1,699,997	**1,507,136**	1,410,177	**6,560,074**	5,626,308
Inter-segment revenue	**932**	1,708	**12,471**	39,866	**-**	–	**13,403**	41,574
Reportable segment revenue	**3,121,003**	2,517,842	**1,945,338**	1,739,863	**1,507,136**	1,410,177	**6,573,477**	5,667,882
Timing of revenue recognition								
At a point in time	**2,384,695**	2,040,453	**1,945,338**	1,739,863	**-**	–	**4,330,033**	3,780,316
Over time	**736,308**	477,389	**-**	–	**1,507,136**	1,410,177	**2,243,444**	1,887,566
Reportable segment profit (adjusted profit from operations)	**185,489**	113,395	**307,400**	207,758	**132,196**	153,975	**625,085**	475,128

	Clean energy		Chemical and environmental		Liquid food		Total	
	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Reportable segment assets	**10,159,798**	9,871,736	**2,186,866**	2,375,174	**2,915,041**	3,087,411	**15,261,705**	15,334,321
Reportable segment liabilities	**4,402,359**	4,702,290	**866,745**	1,299,790	**1,962,696**	2,250,282	**7,231,800**	8,252,362

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**6,573,477**	5,667,882
Elimination of inter-segment revenue	**(13,403)**	(41,574)
Unallocated revenue	**24,344**	23,411
Consolidated revenue	**6,584,418**	5,649,719

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Profit		
Reportable segment profit	**625,085**	475,128
Elimination of inter-segment profit	**(5,725)**	–
Reportable segment profit derived from the Group's external customers	**619,360**	475,128
Finance costs	**(31,452)**	(30,344)
Unallocated operating expenses	**(113,461)**	(40,872)
Consolidated profit before taxation	**474,447**	403,912

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Assets		
Reportable segment assets	**15,261,705**	15,334,321
Elimination of inter-segment receivables	**(200,023)**	(213,783)
	15,061,682	15,120,538
Deferred tax assets	**109,176**	107,333
Unallocated assets	**306,807**	625,483
Consolidated total assets	**15,477,665**	15,853,354

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Liabilities		
Reportable segment liabilities	**7,231,800**	8,252,362
Elimination of inter-segment payables	**(200,023)**	(213,783)
	7,031,777	8,038,579
Income tax payable	**26,405**	26,196
Deferred tax liabilities	**194,639**	169,235
Unallocated liabilities	**1,344,477**	1,073,550
Consolidated total liabilities	**8,597,298**	9,307,560

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

5 Revenue

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

Revenue represents (i) the sales value of goods sold after allowances for returns of goods, excluding value added taxes 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 period is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of goods	**4,340,974**	3,762,153
Revenue from project engineering contracts	**2,243,444**	1,887,566
	6,584,418	5,649,719

6 Other revenue and other income, net

(a) Other revenue

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
Government grants	*(i)*	**23,401**	22,785
Other operating revenue	*(ii)*	**104,786**	99,635
Interest income from bank deposits		**6,821**	8,152
Dividend income		**2,664**	–
		137,672	130,572

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

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

(b) Other income, net

	Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Write-back of payables (i)	**45,407**	–
Investment income from derivative financial instruments	**3,980**	1,553
Foreign exchange gain	**256**	21,337
Net gain/(loss) on disposal of property, plant and equipment	**132**	(1,473)
Other net income/(expense)	**3,217**	(1,238)
	52,992	20,179

(i) In prior years, the Group has provided customs payable on certain bonded materials that were not expected to be exported. During the period, the Group exported certain products with the above mentioned bonded materials and subsequently RMB24,029,000 of corresponding customs payable was written back as the Group was no longer obliged to pay the customs on those bonded materials. The remaining RMB21,378,000 represented the write-back of long aged payables.

7 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Interest on loans, lease liabilities and other borrowings	**22,895**	27,792
Bank charges	**8,557**	2,552
	31,452	30,344

(b) Other items

	Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Depreciation of property, plant and equipment	**120,922**	112,958
Depreciation of right-of-use assets	**2,519**	–
Amortisation of intangible assets	**17,758**	17,196
Amortisation of lease prepayments	**7,671**	7,022
Reversal of write-down of inventories	**(8,625)**	(2,970)
Research and development costs	**125,015**	84,959
Operating lease charges for property rental	**12,132**	12,520
Provision for product warranties	**31,030**	43,581
Equity-settled share-based payment expenses	**28,680**	3,078

(c) Net impairment loss/(reversal of impairment provision) on financial assets

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Impairment provision for trade receivables	**24,989**	9,088
Reversal of impairment provision for trade and other receivables	**(11,364)**	(16,427)
	13,625	(7,339)

8 Income tax expenses

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax	**73,873**	87,771
Deferred income tax	**13,141**	1,494
	87,014	89,265

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 period.

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

Pursuant to the Tax Law, "Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management" and "Announcement of the State Administration of Taxation on Issues Concerning the Determination of Resident Enterprises on the Basis of Their Actual Management Bodies", the Administration of Local Taxation of Shenzhen Municipality issued an approval under which certain foreign subsidiaries of the Group are regarded as Chinese resident enterprises. Therefore, during the six months ended 30 June 2019, no deferred withholding tax was provided for the distributable profits of PRC subsidiaries.

Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany and United Kingdom are charged at the prevailing rates of 25%, 33.99%, 25%, 30% and 20% respectively in the relevant countries and are calculated on a stand-alone basis.

9 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:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**382,879**	308,353

	Six months ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,957,822,779**	1,944,860,751
Effect of dilutive potential ordinary and restricted shares in respect of the Company's share options scheme and restricted share award scheme (note 18)	**23,246,269**	23,028,071
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,981,069,048**	1,967,888,822

10 Property, plant and equipment

During the six months ended 30 June 2019, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB530,747,000 (six months ended 30 June 2018: RMB116,271,000). Items of property, plant and equipment with net book value totalling RMB18,095,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1,937,000), resulting in a gain of RMB132,000 (six months ended 30 June 2018: a loss of RMB1,473,000). As at 30 June 2019, property, plant and equipment of RMB158,247,000 (31 December 2018: nil) were pledged as collateral for the Group's borrowings (note 16).

11 Right-of-use assets

	Property and plant RMB'000
Six months ended 30 June 2019	
Opening net book amount as at 1 January 2019	16,667
Depreciation and amortisation	(2,519)
Exchange adjustment	1
Closing net book amount as at 30 June 2019	14,149

Right-of-use assets also included the lease prepayments of RMB615,142,000.

12 Prepayment for acquisition of equity interests

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepayment for acquisition of equity interests	**50,000**	50,000

On 19 April 2018, CIMC Enric Investment Holding (Shenzhen) Limited ("EIHL"), CIMC Financial Leasing (Hong Kong) Limited, CIMC Container Holding Co., Ltd., and Tianjin Jishun Machine Equipment Leasing Ltd. entered into an agreement to inject capital into CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. ("CIMC Qianhai"). Pursuant to the agreement, EIHL agreed to contribute RMB100,000,000 in cash to CIMC Qianhai in respect of the capital injection. As at 30 June 2019, EIHL has contributed RMB50,000,000 in cash to CIMC Qianhai.

13 Inventories

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw materials	**962,092**	1,005,536
Consignment materials	**124,166**	133,038
Work in progress	**1,224,506**	1,664,385
Finished goods	**991,086**	1,061,992
	3,301,850	3,864,951

14 Trade and bills receivables

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current	**2,113,678**	1,888,773
Less than 3 months past due	**351,533**	665,305
More than 3 months but less than 12 months past due	**345,163**	176,244
More than 1 year but less than 2 years past due	**113,398**	134,326
More than 2 years but less than 3 years past due	**78,434**	51,898
More than 3 years past due	**95,519**	95,187
Amounts past due	**984,047**	1,122,960
	3,097,725	3,011,733

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

The carrying amount of trade and bills receivables approximate their fair value.

15 Restricted bank deposits and cash and cash equivalents

(a) Restricted bank deposits

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deposits for banking facilities	**249,206**	364,971

(b) Cash and cash equivalents

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash in hand and demand deposits	**1,846,582**	2,856,972
Bank deposits within three months of maturity	**9,711**	73,299
	1,856,293	2,930,271

16 Bank loans

At 30 June 2019, the bank loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**177,915**	477,787
After 2 years but within 5 years	**962,458**	686,320
	1,140,373	1,164,107

As at 30 June 2019, the bank loans of RMB110,000,000 (31 December 2018: nil) were secured by the Group's lease prepayments of RMB6,372,000 (31 December 2018: nil) and property, plant and equipment of RMB158,247,000 (31 December 2018: nil). The annual rate of interest charged on the bank loans ranged from 3.69% to 7.60% for the six months ended 30 June 2019 (six months ended 30 June 2018: 3.35% to 4.35%).

17 Trade and bills payables

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade creditors	**2,100,822**	2,233,046
Bills payables	**241,396**	478,262
	2,342,218	2,711,308

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 3 months	**1,805,291**	2,210,205
3 months to 12 months	**266,589**	305,635
Over 12 months	**270,338**	195,468
	2,342,218	2,711,308

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

18 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 30 June 2019, no option under Scheme II has been granted.

On 11 November 2009, 43,750,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2019 had an exercise price of HKD4.00 and a weighted average remaining contractual life of 0.364 year. As at 30 June 2019, 13,450,000 of these options were outstanding and exercisable.

On 28 October 2011, 38,200,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2019 had an exercise price of HKD2.48 and a weighted average remaining contractual life of 2.329 years. As at 30 June 2019, 17,658,000 of these options were outstanding and exercisable.

On 5 June 2014, 38,420,000 share options were granted to certain eligible persons of the Group. The options outstanding at 30 June 2019 had an exercise price of HKD11.24 and a weighted average remaining contractual life of 4.934 years. As at 30 June 2019, 33,530,000 of these options were outstanding and exercisable.

(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.

As at 30 June 2019, 32,540,750 of these restricted shares were outstanding.

19 Capital, reserves and dividends

(a) Dividends

Final dividend of RMB246,109,000 in relation to the year ended 31 December 2018 was paid in 2019 (Final dividend of RMB131,486,000 in relation to the year ended 31 December 2017 was paid in 2018).

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Contributed surplus

The contributed surplus of the Group includes the difference between:

(i) 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;

(ii) 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;

(iii) the registered capital of Nantong CIMC Transportation & Storage Equipment Co., Ltd. (currently known as Nantong CIMC Energy Equipment Co, Ltd., "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;

(iv) the registered capital of Holvrieka (China) Co., Ltd. (currently known as Ziemann Holvrieka Asia 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

(v) 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 Group of RMB11,737,000 for the acquisition of Burg Service B.V. during the year ended 31 December 2015.

(c) Capital reserve

The capital reserve of the Group includes:

(i) 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; and

(ii) the capital reserve arising from the transactions with non-controlling interests.

(d) 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. 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.

20 Commitments

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for		
– Production facilities	**50,824**	43,485
– Contingent consideration	**12,000**	–
– Capital contribution to an equity investment	**50,000**	50,000
	112,824	93,485

(b) At 30 June 2019, total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**5,451**	35,133
After 1 year but within 5 years	**899**	12,626
After 5 years	**–**	12,038
	6,350	59,797

The Group has already adopted HKFRS 16 from its mandatory adoption date of 1 January 2019 (note 2(d)). For the six months ended 30 June 2019, the future minimum lease payments mainly include the short-term leases and low-value leases which are out of scope of HKFRS 16. The Group leases a number of motor vehicle, properties and office equipment under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

21 Contingencies

(a) Contingencies related to litigation

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

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

The first instance is expected to be held at Nantong Intermediate People's Court in September 2019.

The Directors of the Company were of the view that no provision shall be necessary on the litigation claims as at 30 June 2019 after taking into account of the opinion of independent legal counsels.

(b) Guarantee

The Group has provided guarantee to a third party customer in respect of the financing provided to that customer from other parties. As at 30 June 2019, the outstanding amount of guarantee provided was approximately RMB21,646,000 (31 December 2018: RMB27,890,000). The Directors of the Company have determined that no provision for the outstanding amount is required as the customer has no history of default and the guarantee provided represents a contingent liability.

(c) Performance guarantees

As at 30 June 2019, the Group had outstanding performance guarantees issued by relevant banks totalling RMB579,727,000 (31 December 2018: RMB1,093,141,000).

22 Related party transactions

(a) Transactions with China International Marine Containers (Group) Co., Ltd. and its subsidiaries and associates

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Nature of transactions			
Sales	*(i)*	**70,420**	46,574
Purchases	*(ii)*	**58,660**	145,364
Comprehensive charges	*(iii)*	**4,262**	3,283
Processing charges	*(iv)*	**10,348**	7,003
Processing income	*(v)*	**734**	146
Office services income	*(vi)*	**111**	512
Loans from a related parties	*(vii)*	**10,000**	307,750
Repayment of loans from related parties	*(vii)*	**25,000**	80,000
Loan interest expenses	*(vii)*	**424**	5,748
Deposit service	*(viii)*	**529,457**	318,376
Interest income from deposits	*(viii)*	**2,757**	1,684

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and are repayable within one year.

(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 the related party. The deposits bear interest from 0.46% to 1.76% (2018: 0.46% to 2.25%) and can be withdrawn on demand.

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

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables for products sold	**90,346**	183,251
Trade payables for raw material purchased and receipts in advance for sales	**(133,251)**	(151,699)

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

(ii) No provisions for bad or doubtful debts have been made in respect of these outstanding receivable balances.

(c) Loans from related parties

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Loans from related parties	**20,000**	35,000

The loans are unsecured, interest bearing from 4.20% to 5.44% (2018: 1.75% to 4.44%) per annum and are repayable within a year.

(d) Deposits placed with a related party

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deposits	**415,655**	528,211

(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 15(b)).

(e) Immediate and ultimate controlling party

As at 30 June 2019, the Directors consider the immediate parent of the Company to be China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

As at 30 June 2019, the Directors consider the ultimate controlling party of the Company to be China International Marine Containers (Group) Co., Ltd. which is incorporated in the People's Republic of China. This entity produces financial statements available for public use.

23 Business combination

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

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

(c) The following table summarises the considerations paid or payable and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition dates.

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

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value		
	DME RMB'000	Changming RMB'000	Total RMB'000
Cash and cash equivalents	–	14,467	14,467
Property, plant and equipment	20,296	408,469	428,765
Construction in progress	–	76,583	76,583
Lease prepayments	–	18,689	18,689
Intangible assets (ii)	–	69,844	69,844
Inventories	5,828	3,105	8,933
Trade and bills receivables	251	1,150	1,401
Deposit, other receivables and prepayments	–	88,796	88,796
Bank loans	–	(252,177)	(252,177)
Contract liabilities	–	(6,460)	(6,460)
Trade and bills payables	–	(19,453)	(19,453)
Other payables and accrued expenses	–	(162,185)	(162,185)
Deferred income	–	(2,252)	(2,252)
Income tax payable	–	(981)	(981)
Deferred tax liabilities	–	(10,419)	(10,419)
Total identifiable net assets	26,375	227,176	253,551
Non-controlling interest	–	(79,307)	(79,307)
Goodwill	–	6,781	6,781
	26,375	154,650	181,025

	Provisional fair value		
	DME	Changming	Total
	RMB'000	RMB'000	RMB'000
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the six months ended 30 June 2019)	764	496	1,260
Outflow of cash to acquire business, net of cash acquired			
– cash consideration paid	26,375	106,650	133,025
– cash and cash equivalents in subsidiary acquired	–	(14,467)	(14,467)
Net cash outflow on acquisition	26,375	92,183	118,558

(i) Contingent consideration

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

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

(ii) Intangible assets

The right of operation and qualified natural gas exploitation license have been recognised from the acquisition. These intangible assets are amortised using the straight-line method over the estimated useful life of 20 to 25 years.

Management Discussion and Analysis

Business Review

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

Product portfolio and Brands

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

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

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

Chemical and environmental: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied chemicals, gaseous chemicals and powder products; and the provision of maintenance service and value-added service for tank containers. This segment is also engaged in the provision of eco-friendly storage equipment and solid waste management system.

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

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

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

Operational Performance

Revenue

The continuous growth in the consumption of natural gas in China boosted the demand for clean energy segment's application equipment for the first half of 2019. The chemical and environmental segment also posted an increase in revenue due to increase in sales volume and appreciation of USD during the period. At the same time, the liquid food segment recorded a revenue growth due to increased order intake from previous years and the acquisition of DME business. While the unallocated revenue remained stable during the period at RMB24,344,000 (corresponding period in 2018: RMB23,411,000) which accounted for 0.3% of the Group's revenue (corresponding period in 2018: 0.4%). As a result, the revenue for the first half of 2019 rose by 16.5% to RMB6,584,418,000 (corresponding period in 2018: RMB5,649,719,000). During the period, the Group acquired the DME business and 65.09% equity of a company located in Ningxia, these two subsidiaries contributed RMB36,822,000 revenue. The performance of each segment is discussed below:

During the first half of 2019, the clean energy segment's revenue rose by 24.0% to RMB3,120,071,000 (corresponding period in 2018: RMB2,516,134,000) mainly because of a rise in turnover of application equipment such as on-vehicle LNG fuel tanks, on-board LNG fuel tanks for vessels and CNG refuelling stations. The segment remains the top grossing segment and accounted for 47.4% (corresponding period in 2018: 44.5%) of the Group's total revenue.

The chemical and environmental segment's revenue experienced an increase of 13.7% to RMB1,932,867,000 (corresponding period in 2018: RMB1,699,997,000) due to an increase in volume of tank containers and the appreciation of USD. The segment made up 29.4% of the Group's total revenue (corresponding period in 2018: 30.1%).

The liquid food segment's revenue posted a slight rise of 6.9% to RMB1,507,136,000 during the period (corresponding period in 2018: RMB1,410,177,000) mainly due to increased order intake from previous year and to some extent as well as the acquisition of DME business. The segment accounted for 22.9% of the Group's total revenue (corresponding period in 2018: 25.0%).

Gross profit margin and profitability

The clean energy segment's gross profit margin ("**GP margin**") fell to 14.3% (corresponding period in 2018: 15.0%). The fall is mainly due to the lower GP margin for liquefied gas vessels comparing with last year and a rise in cost of production of LNG trailers due to lack of economies of scale during the period. Nevertheless, this was mitigated by growth in GP margins of on-vehicle LNG fuel tanks and a few other products during the period. As for the chemical and environmental segment, its GP margin saw a slight boost from 14.7% in the same period last year to 15.4% during the period which was caused by the rise in USD exchange rate while this offset impact of the competitive strategy of lowering the tank containers' average selling price ("**ASP**"). As the segment's key products, tank containers, are mostly denominated in USD and the appreciation of USD in turn raised the revenue reported in RMB; thus offsetting the impact of lower ASPs. The GP margin for liquid food segment stayed stable at 17.0% during the period. The Liquid Food segment's EPC projects' revenue and cost are recognised at the budgeted GP margin according to their percentage of completion. On completion of a project, which usually occurs in the second half of the year, the actual costs incurred will be measured against the budgeted cost and any unused warranty provision will be reversed that causes the GP margin to increase in the second half of the year. During the current period, the segment recorded GP margin within the normalised range of 17% to 19%.

While the chemical and environmental segment's GP margin rose, the slightly fall of both clean energy and liquid food segments' GP margins caused the Group's overall GP margin to drop by 0.3 percentage point to 15.3% (corresponding period in 2018: 15.6%).

Profit from operations expressed as a percentage of revenue remained stable at 7.7% (corresponding period in 2018: 7.7%) despite a slight decline in GP margin and the rise in certain operating expenses, their effects on profitability was offset by the increase in other revenue and other net income during the period.

During the period, reversal of overprovision of tax expense in previous year and utilisation of deductible tax losses caused the effective tax rate of the Group to decline to 18.3% in the first half of 2019 (corresponding period of 2018: 22.1%).

Financial Review

Liquidity and financial resources

At 30 June 2019, the cash and cash equivalents of the Group amounted to RMB1,856,293,000 (31 December 2018: RMB2,930,271,000). A portion of the Group's bank deposits totalling RMB249,206,000 (31 December 2018: RMB364,971,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans and loans from related parties as they fall due, and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 30 June 2019, the Group's bank loans and overdrafts amounted to RMB1,140,373,000 (31 December 2018: RMB1,164,107,000), other than syndicated bank loan and term loan with tenors of three years for business development and working capital, the remaining is repayable within one year. Apart from the syndicated bank loan denominated in USD and the term loan as well as revolving banking facilities which are denominated in USD and HKD that bear interest at floating rates, the overall bank loans bear interest at rates from 3.69% to 7.60% per annum. At 30 June 2019, the Group had a secured bank loan of RMB110,000,000 (31 December 2018: Nil) but did not have any bank loan that was guaranteed by the Company's subsidiaries (31 December 2018: Nil). As at 30 June 2019, loans from related parties amounted to RMB20,000,000 (31 December 2018: RMB35,000,000), which are unsecured, interest bearing from 4.2% to 5.44% (31 December 2018: 1.75% to 4.44%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2018: zero times) as the Group retained a net cash balance of RMB945,126,000 (31 December 2018: RMB1,731,164,000). The decrease in net cash balance is mainly attributable to an increase in outflow for operation amounted to RMB296,124,000 (corresponding period in 2018, net cash generated: RMB267,473,000). This is mainly due to contract assets for EPC projects' rose by RMB555,012,000 from 31 December 2018 to RMB1,342,559,000 as at 30 June 2019, which caused an operation net cash outflow of RMB555,012,000 for the period. Revenue will be recognised in the second half of this or next year upon completion of the EPC projects, and will generate operation cash inflow. In addition, trade and bills payable decreased by RMB369,090,000 from 31 December 2018 to RMB2,342,218,000 as at 30 June 2019, which caused an operation net cash outflow during the period. This is mainly attributable to bills payable of RMB236,866,000 being due and paid before 30 June 2019. In the second half of 2019, the Company will tighten its control on payables. The Company is confident that by exercising the right measures and controls, the Company will maintain a net operating cash inflow over the long run. The net cash used in investing activities amounted to RMB258,613,000 (corresponding period in 2018: RMB267,569,000). This is mainly attributable to the acquisition of non-current assets for production and operation which amounted to RMB157,747,000, and acquisition of subsidiaries and capital contribution to an associate totaling RMB132,558,000. The net cash used in financing activities amounted to RMB527,633,000 (corresponding period in 2018, net cash generated: RMB99,742,000). This is due to the Group repaid bank loans amounted to RMB614,284,000 (after drawdown of bank loans, net repayment of bank loans amounted to RMB279,730,000, corresponding period in 2018: net drawdown of RMB19,250,000). During the period, final dividends paid to the Company's shareholders amounted to RMB246,109,000, increased by RMB114,623,000 compared with corresponding period in 2018, which lead to a net financing cash outflow. As a result, the cash outflow of the Group during the period totaling RMB1,082,370,000 (corresponding period in 2018, net cash generated: RMB99,646,000). The Group's interest coverage was 21.7 times for the period (corresponding period in 2018: 15.6 times) which represents an improvement that demonstrates the Group is fully capable of meeting its interest expense obligations.

Assets and liabilities

At 30 June 2019, total assets of the Group decreased by RMB375,689,000 to RMB15,477,665,000 (31 December 2018: RMB15,853,354,000). Non-current assets increased by RMB621,679,000, current assets decreased by RMB997,368,000, cash and cash equivalent decreased significantly. At 30 June 2019, total liabilities of the Group decreased by RMB710,262,000 to RMB8,597,298,000 (31 December 2018: RMB9,307,560,000). The net asset value increased by 5.1% to RMB6,880,367,000 (31 December 2018: RMB6,545,794,000). It was mainly attributable to net profit of RMB387,433,000 during the period. As the total liabilities decreased and the net assets increased, the Group's debt to asset ratio reduced to 55.5% (31 December 2018: 58.7%). As a result, the net asset value per share increased to RMB3.442 at 30 June 2019 from RMB3.278 at 31 December 2018.

Contingent liabilities

At 30 June 2019, the Group had outstanding balance of guarantees issued by relevant banks totaling RMB579,727,000 (31 December 2018: RMB1,093,141,000).

CIMC Enric Investment Holdings (Shenzhen) Ltd. ("**EIHL**") received certain litigation papers including notification calling for responses to the action and summons served by a court in Jiangsu Province in December 2018, where SOEG PTE LTD ("**SOEG**") claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in Nantong SinoPacific Offshore & Engineering Co., Ltd 南通太平洋海洋工程有限公司 (now known as Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd 南通中集太平洋海洋工程有限公司) from SOEG in 2015. After considering the current status of the litigation and opinion from independent legal counsels, no provision was considered necessary for the litigation claims as at 30 June 2019.

Save as disclosed above, 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.

At 30 June 2019, the Group had contracted but not provided for capital commitments of RMB112,824,000 (31 December 2018: RMB93,485,000), while the Group did not have any authorised but not contracted for capital commitments (31 December 2018: Nil).

Foreign exchange exposure

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

Capital expenditure

In the first half of 2019, the Group invested RMB290,305,000 (corresponding period in 2018: RMB270,184,000) 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, liquid food segment and the unallocated invested RMB202,158,000, RMB55,691,000, RMB32,055,000 and RMB401,000 respectively in capital expenditure during the period.

Employees and remuneration policies

At 30 June 2019, the total number of employees of the Group was approximately 10,000 (corresponding period in 2018: approximately 9,800). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and equity-settled share-based payment expenses) were approximately RMB864,635,000 (corresponding period in 2018: RMB821,874,000).

Save as disclosed above, there have been no material changes in respect of employee incentive and bonus policies, the share option scheme, restricted share award scheme and training scheme as disclosed in Annual Report 2018.

Reviewed by business segments

Clean Energy

China's consumption of natural gas in the first half of 2019 has maintained a rising momentum. In terms of natural gas storage, demand for large cryogenic storage tanks projects has risen due to the government's emphasis on LNG peak-shaving infrastructures. In terms of natural gas transportation, thanks to the overall healthy development of natural gas industry, LNG tank containers, CNG trailers and storage tanks modules have seen a relatively higher growth with the delivery of an LEG carrier with capacity of 22,000m^3 in the first half of the year. However, as affected by factors including the long sluggish price of LNG transportation, as well as a shrink in demand for LNG transportation due to the expansion in domestic natural gas production, LNG trailers have recorded a distinct drop in sales. Due to the stable LNG retail price in China during the first half of 2019, sales of natural gas application equipment has risen, especially the sales of traffic related applications. As a result, the segment's revenue rose to RMB3,120,071,000 (corresponding period in 2018: RMB2,516,134,000). The segment's operating profit increased from RMB113,395,000 in 2018 to RMB185,489,000 in the current period.

Prospect

Natural gas is a critical means for effectively controlling atmospheric haze and promoting the development of China's energy production and consumption revolution. Currently natural gas only accounts for 7.8% of primary energy consumption in China. Pursuant to "13th Five-Year Plans for the Development of Natural Gas" (《天然氣發展「十三五」規劃》) and "Opinion on Expediting the Use of Natural Gas" (《加快推進天然氣利用的意見》), natural gas will be gradually developed as a major clean renewable energy source in China. The proportion of natural gas in the primary energy consumption structure is targeted to reach 10% in 2020 and 15% in 2030 respectively.

According to the data from National Development and Reform Commission ("**NDRC**"), growth in China's natural gas consumption remained steady in the first half of 2019, with apparent natural gas consumption amounted to 149.3 billion m^3, representing a year-on-year growth of 10.8%. In order to ensure stable energy supply during peak seasons and improve flexibility, China will further strengthen its energy reserve and improve construction of infrastructures for storage and transportation. In addition, according to "Notice Concerning Energy Peak-Shaving in Summer 2019" (《關於做好2019年能源迎峰度夏工作的通知》) announced by NDRC on 25 June 2019, NDRC has officially recognised LNG tanks as gas storage peak-shaving facilities.

In view of International Maritime Organization (IMO)'s environmental policy to be implemented in 2020, an increasing number of vessels will use LNG as clean energy to fulfil the emission requirement. Therefore, there is a positive market demand for LNG bunkering vessels, LNG carriers, modification of LNG powered ships, marine fuel tanks and gas supply system.

Driven by the positive factors above, we are of the view that the Group's clean energy segment will benefit as a whole and maintain stable and rapid development in a long run.

Future plans and strategies

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 value 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 (hydrogen, electron gas and CNG) with a view to seizing new opportunities in the development of unconventional natural gas processing and applications equipment and offshore LNG applications.

In the meantime, to seize opportunities arising from the growing trend of low-carbon economy and accelerated pace of clean energy application around the world, the segment will further integrate its overseas energy business and commit greater resources to the clean energy sector, such as marine gas storage and transportation, LNG powered ships, marine fuel tanks gas supply system, intelligent products and after-sales services, electronic gas containers, hydrogen energy exploration and utilisation. The segment also considers cooperation with leading companies in the industry to gain new growth opportunities.

Research and development

During the first half of 2019, the clean energy segment has conducted a number of successful R&D projects to strengthen its reserve in core technologies, such as HCL jumbo tube skid, liquefied ethane/ethylene semi-trailer, 10,000m^3 liquid nitrogen cryogenic and low-pressure double-dome storage tank, 30,000m^3 LNG double-layer metal full capacity storage tank, GTT film type cargo tank, 20,000m^3 skid-mounted natural gas processing unit, etc. In addition, the third European LNG filling station designed and built independently by CIMC Sanctum for Shell was officially put into operation in Maasmechelen, Belgium. The series of 300m^3 LNG marine fuel tanks designed and built by CIMC Sanctum has been proved to be capable to hold pressure for over 100 days during trials and post-trial monitoring period, which was well above the IGF requirements and was highly recognised by ship owners in Sweden.

The segment also initiated a number of R&D projects during the first half of the year, which are now on progress, such as the development of 1,350L large-volume natural gas cylinder, 45-feet intermodal LNG tank container, 40-feet LNG tank container applicable for railway in China and international intermodal transportation, LPG trailer with pump and small storage tank with pump, skid-mounted LPG refueling equipment, large earthen oil tank, light-weight liquefied gas semi-trailers with new functions, 30Mpa steel liner hoop-wrapped cylinders (Type II), 80,000m^3 LNG cryogenic and low-pressure double-layer metal full capacity storage tank, trailer in compliance with China 6 – emission standards, large displacement marine air compressor, UF6 48X sample bottle, small-sized fully pressurised LPG cargo system, cargo system for 20,000m^3 LNG transportation/bunkering ship, and the application of new materials on marine cargo tank.

To meet the evolving needs of customers and enhance competitiveness, the segment is committed to continuous product innovation and overseas market development. Relevant R&D projects were launched during the period. For instance, the launch of brand-new automatic LPG trailer, a high-end product with exceptional performance specifically developed for international customers, has been widely recognised.

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

Chemical and Environmental

The increase in volume in tank containers, the main product of the segment, together with the appreciation of USD against RMB during the period caused the segment's revenue to increase from RMB1,699,997,000 in the same period in 2018 to RMB1,932,867,000 in the current period. At the same time, the segment's operating profit rose from RMB207,758,000 in the first half of 2018 to RMB307,400,000.

Prospect

In the past few years, global leasing companies have invested heavily in chemical tank containers, resulted in high demands for the product. There is an organic growth and replacement growth in the demand of tanks. Although the actual demand might vary from year to year, the overall demand is expected to remain generally stable. In the long run, with the gradual stabilisation of global economy and the development of emerging markets, the global chemical industry is expected to sustain a stable growth over the longer term. Moreover, as the number of new chemicals and derivatives continue to emerge in line with developments in the chemical industry, the market for special tank containers is expected to have a significant growth.

Currently, the markets of developed countries in Europe and the USA have completed the transition to a stage of stable growth, while the demand for tank containers in emerging markets will experience gradual growth due to the replacement and upgrade of traditional transportation modes for local chemical sectors, as well as high concern for safe, efficient and eco-friendly transportation of hazardous goods. These will drive the sustained growth of the global tank container market. In conclusion, the green logistics mode with safer, more economical, more environmental friendly and smarter applications will become the new market trend.

Despite the challenges driven from Sino-US trade frictions, in general tank containers is not listed by the US government, as the target product subject to additional tariff and it remains as zero tariff so far.

Future plans and strategies

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

This segment endeavours to enter the environmental industry – an emerging industry that integrates equipment manufacturing, engineering and operation services, which has large market potentials and considerable profitability. In particular, the field of industrial solid waste recycling and comprehensive utilisation, which has high entry barrier in terms of technology and qualification, presents an enormous potential for development. Benefiting from the accelerated urbanisation and implementation of environmental protection policies, the entire waste disposal market is under-represented. Most domestic waste disposal companies are private enterprises which have limited treatment capacity and low utilisation of waste resources. Companies with advanced technology, professional operational strengths and focus on utilisation of waste resources will have strong competitive and alternative advantages.

Research and development

The chemical and environmental segment endeavours to provide customers with new logistics solutions and develop different types of tank containers to meet customers' requirements. In this connection, multiple types of chemical tank containers have been developed. In 2019, the segment successfully developed, among others, the powder tank container with PEC (Pressure Equipment Certification), new model of 30m^3 square tank container, small-volume series standard tank container, liquid chlorine tank container, light-weight bitumen tank container and IOT-based smart electric heating system. With these products, we help enhancing logistics capacity and efficiency, and satisfying the diversified demand from customers, we continue to stay atop of our peers in terms of tank container technology.

The segment is also committed to continuous product innovation. We are actively engaged in the development and application of new materials and new structures for tank container, and are currently developing concentrated sulfuric acid tank container applicable for railway in China, new generation of ISO/WIDEBODY tank container, high-strength steel frame gas tank container, combined/assembled tank container, ethylene glycol heating/cooling system and light-weight bulk cement tank container to answer the enormous market demand for transportation from the chemical logistics industry.

The segment has been studying on the application of low volatile organic compounds and high solid coatings on tank containers to offer a more eco-friendly and low-carbon products to clients and a better working environment for workers. In addition, the segment applies advanced manufacturing technology to improve the efficiency of production line and the quality of products.

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

Liquid Food

During the first half of 2019, the liquid food segment's revenue was EUR 1,507,136,000 (corresponding period in 2018: EUR 1,410,177,000). The segment's operating profit (EBIT) for the period dropped to EUR 132,196,000 (corresponding period in 2018: EUR 153,975,000). This is due to one-off restructuring expenses were incurred in the current period.

Prospect

Through the renowned brands of "Ziemann Holvrieka", "Briggs" and "DME" the Group's Liquid food segment possesses competitive strengths which are derived from its world-leading capabilities in design, manufacture and project engineering of breweries, brewery equipment and distilleries, proven business results and global brand influence. Meanwhile, the diverse geographic locations of production facilities in Europe and China have afforded a solid ability in global coordination over production, procurement, operation and regional marketing.

The acquisition of Briggs Group Limited in 2016, with headquarters located in the UK, strengthened the segment's design and process capabilities in breweries, pharmaceutics and distilleries. Integration of Briggs has proven to be successful, already resulting in projects with an extended scope in the distilling and pharmaceutical markets of North and South Americas as well as China. The segment will continue to actively explore business development in these markets in the future, striving to generate more opportunities for revenue and profit growth. In addition, the purchase of the selected assets of the DME Group on 5 March 2019 strengthens the segment's position in supplying the craft beer industry.

Future Plans and Strategic

In the future, the liquid food segment will expand globally and diversify to equipment and project engineering for the manufacturing of food items other than beer, following a two-dimensional approach covering vertically beer production and horizontally other liquid food businesses, leveraging its core technologies and strengths in EPC contracting.

The liquid food segment constantly reviews and develops its strategy, to gain opportunities in which it can excel and enhance its business position. 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 juice storage, transportation and dairy product processing.

Research and development

The liquid food segment has strived to improve its key equipment product line for beer through providing integrated food equipment solutions to domestic and international markets, such as the development of the deoxygenated water preparation system and the wine mixing system, as well as continuing to improve and promote and premium brewing system and equipment for craft beer industry.

With the acquisition of DME business in 2019, it has provided concrete support for the development of premium brewing business in the segment since DME Group, as a leading designer and manufacturer of equipment for the craft brewing sector in North America, has an immense accumulation of technologies in various sectors including craft beer, distilling, fermentation and pharmaceutical industry.

Apart from brewing equipment, the segment has also made active investigations into new business frontiers, such as biopharmaceuticals, fruit juice, beverages, milk and daily-use chemicals. Vigorous efforts have been made to drive technology upgrades and performance optimisation, resulting in the launch of new products commanding sound sales. The segment will continue to enhance its strengths in the R&D of new technologies in beer brewing and explore diversification opportunities.

Supplementary Information

Directors' Interests in Shares

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Long position in the shares of the Company

Name of Director	Capacity	No. of shares held and Interests in underlying shares pursuant to share options and the restricted share award scheme	% of issued share capital *(Note)*
Gao Xiang	Beneficial owner	2,722,000	0.14%
Yang Xiaohu	Beneficial owner	1,800,000	0.09%
Yu Yuqun	Beneficial owner	1,698,000	0.08%
Wang Yu	Beneficial owner	400,000	0.02%
Zeng Han	Beneficial owner	650,000	0.03%
Tsui Kei Pang	Beneficial owner	600,000	0.03%
Zhang Xueqian	Beneficial owner	600,000	0.03%

Note: The percentage is calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2019, which was 1,998,910,588.

Long positions in underlying shares of equity derivatives of the Company

Options were granted by the Company on 11 November 2009, 28 October 2011 and 5 June 2014 under a share option scheme approved by the shareholders on 12 July 2006 (the "**Scheme**"). Details of which were set out under the section headed "Share Options" on pages 47 to 48.

Long positions in the shares/underlying shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
China International Marine Containers (Group) Co., Ltd. ("**CIMC**") (A Shares)	Gao Xiang	Beneficial owner *(Note 1)*	450,000 *(Note 2)*	0.03% *(Note 3)*
	Yu Yuqun	Beneficial owner *(Note 1)*	900,000 *(Note 2)*	0.06% *(Note 3)*
	Wang Yu	Beneficial owner *(Note 1)*	300,000 *(Note 2)*	0.02% *(Note 3)*
	Zeng Han	Beneficial owner *(Note 1)*	346,500 *(Note 2)*	0.02% *(Note 3)*

Notes:

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

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

3. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 30 June 2019, which was 1,522,638,752.

Save as disclosed above, as at 30 June 2019, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 30 June 2019, nor have any such rights been granted or exercised during the interim period.

Substantial Shareholders' Interests in Shares

As at 30 June 2019, the interests and short positions of every substantial shareholder, other than the Directors and the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Substantial shareholder	Capacity	Number of shares held	% of issued share capital *(Note 1)*
CIMC	Interest of controlled corporation	1,371,016,211 *(Note 2)*	68.59%
China International Marine Containers (Hong Kong) Limited ("**CIMC HK**")	Interest of controlled corporation	190,703,000 *(Note 3)*	9.54%
	Beneficial owner	1,180,313,211	59.05%
Charm Wise Limited ("**Charm Wise**")	Beneficial owner	190,703,000 *(Note 3)*	9.54%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2019, which was 1,998,910,588.

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

Save as disclosed above, as at 30 June 2019, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

The Company adopted the Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company 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. Details of the terms thereof are set out in the Annual Report 2016.

As at 30 June 2019, share options were granted and accepted by the respective participants under the Scheme to subscribe for a total of 120,370,000 ordinary shares of HK$0.01 each in the capital of the Company. During the six months ended 30 June 2019, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2019	granted during the period	exercised during the period	lapsed during the period	transferred to/from other category	outstanding at 30 June 2019
Directors								
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	(178,000)	–	–	822,000
	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	–	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	11/11/2009	11/11/2010–10/11/2019	164,000	–	(164,000)	–	–	–
	28/10/2011	28/10/2013–27/10/2021	200,000	–	–	–	–	200,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yu Yuqun	11/11/2009	11/11/2010–10/11/2019	698,000	–	–	–	–	698,000
	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zeng Han	11/11/2009	11/11/2010–10/11/2019	250,000	–	(250,000)	–	–	–
Tsui Kei Pang	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian	28/10/2011	28/10/2013–27/10/2021	300,000	–	–	–	–	300,000
	05/06/2014	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
			5,412,000	–	(592,000)	–	–	4,820,000
Employees	11/11/2009	11/11/2010–10/11/2019	6,092,000	–	(472,000)	–	–	5,620,000
	28/10/2011	28/10/2013–27/10/2021	14,936,000	–	(608,000)	–	–	14,328,000
	05/06/2014	05/06/2016–04/06/2024	26,930,000	–	–	–	–	26,930,000
Other participants	11/11/2009	11/11/2010–10/11/2019	6,550,000	–	(240,000)	–	–	6,310,000
	28/10/2011	28/10/2013–27/10/2021	1,730,000	–	–	–	–	1,730,000
	05/06/2014	05/06/2016–04/06/2024	4,900,000	–	–	–	–	4,900,000
Total			66,550,000	–	(1,912,000)	–	–	64,638,000

Notes:

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

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

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

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

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

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

4. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the six months ended 30 June 2019 was approximately HKD7.64 per share.

At the annual general meeting of the Company held on 20 May 2016, an ordinary resolution was passed for 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.

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

As at the date of this report, a total of 193,660,608 number of options, representing 9.69% 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 of 258,298,608 shares, representing 12.92% of the issued ordinary share capital of the Company, are available for issue under the Scheme and the New Scheme.

Save as disclosed above, no options were granted, exercised, lapsed or cancelled during the six months ended 30 June 2019.

Restricted Share Award Scheme (2018)

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

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

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

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

There were a total of 3,400,000 Restricted Shares have been allotted to the Directors during the year of 2018. As the vesting conditions of the first vesting period have been fulfilled, as at 30 June 2019, there were a total of 1,020,000 Restricted Shares have been vested to the Directors of the Company, details of which are as follows:

Name of Directors	Date of grant	Number of Restricted Shares As at 1 January 2019	granted during the year	Vested during the year	As at 30 June 2019	Vesting Period
Directors						
Gao Xiang	24 August 2018	1,000,000	–	300,000	700,000	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	1,200,000	–	360,000	840,000	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	400,000	–	120,000	280,000	26 June 2018 to 25 June 2022
Total		3,400,000	–	1,020,000	2,380,000	

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the six months ended 30 June 2019.

Corporate Governance

The Company complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), throughout the six months ended 30 June 2019.

The latest corporate governance report of the Company is set out in the Annual Report 2018.

Audit Committee and Other Board Committees

The Audit Committee comprises four Independent Non-executive Directors. The primary duties of the committee are, amongst other things, to review and supervise over the Group's financial reporting procedures, risk management and internal control systems. The Audit Committee has reviewed and discussed with management the unaudited interim financial report of the Group for the six months ended 30 June 2019.

In addition, the Board has established a Remuneration Committee and a Nomination Committee. Each of the committees has a majority of Independent Non-executive Directors.

Full terms of reference of the above-mentioned committees are available on request or on the websites of Hong Kong Exchanges and Clearing Limited and the Company respectively.

Biographical Details of Directors

The changes in the biographical details of Directors since the publication of the Annual Report 2018 and up to the date of this report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Ms. Yien Yu Yu, Catherine, an Independent Non-executive Director, has been appointed as a member of the SFC Advisory Committee, and the deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited.

Mr. Tsui Kei Pang, an Independent Non-executive Director, has been ceased to be a member of China Committee of Hong Kong General Chamber of Commerce.

Purchase, Sale or Redemption of Listed Securities

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

Directors

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

By order of the Board
Gao Xiang
Chairman

Hong Kong, 22 August 2019

CIMC ENRIC

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