CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

2018

Annual Report

Vision

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

Mission

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

About Us

Founded in 2004, CIMC Enric Holdings Limited has been listed on the Hong Kong Stock Exchange since 2005. We are a member of the CIMC Group. We are principally engaged in the provision of key equipment, engineering service and integrated solutions for transportation, storage and processing for the clean energy, chemical and environmental and liquid food sectors. We have built a global marketing network and have over 20 subsidiaries located in China, the Netherlands, Germany, Belgium and the United Kingdom that operate production bases and internationally advanced R&D centres.

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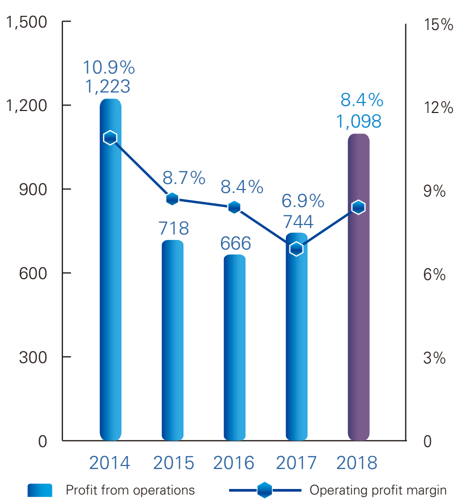
FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**13,051,651**	10,706,590	7,968,403	8,241,333	11,266,822
Profit from operations	**1,098,087**	743,960	665,559	718,276	1,222,694
Finance costs	**(73,577)**	(79,402)	(106,897)	(36,820)	(33,496)
Impairment provision	**–**	(105,549)	(1,362,915)	–	–
Share of post-tax loss of associates	**(4,094)**	(245)	–	(426)	(1,497)
Profit/(loss) before taxation	**1,020,416**	558,764	(804,253)	681,030	1,187,701
Income tax expenses	**(237,966)**	(135,866)	(132,427)	(144,817)	(148,330)
Profit/(loss) for the year	**782,450**	422,898	(936,680)	536,213	1,039,371
Attributable to:					
Equity shareholders of the Company	**785,502**	420,077	(928,772)	519,194	1,027,638
Non-controlling interests	**(3,052)**	2,821	(7,908)	17,019	11,733
Profit/(loss) for the year	**782,450**	422,898	(936,680)	536,213	1,039,371
Earnings/(loss) per share					
– Basic	**RMB0.403**	RMB0.217	(RMB0.480)	RMB0.268	RMB0.531
– Diluted	**RMB0.398**	RMB0.215	(RMB0.480)	RMB0.265	RMB0.521

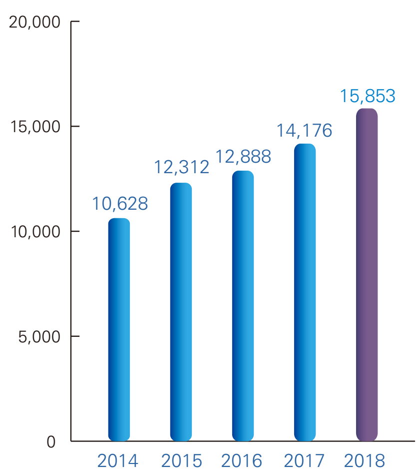
	As at 31 December				
	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total Assets	**15,853,354**	14,176,233	12,888,423	12,312,226	10,627,725
Total Liabilities	**(9,307,560)**	(8,306,454)	(7,586,358)	(5,846,754)	(4,499,095)
Net Assets	**6,545,794**	5,869,779	5,302,065	6,465,472	6,128,630

Note: The comparative figures for the three years from 2014 to 2016 have not been restated as if the current combined entity had been in existence then as the cost to produce such information outweighs the benefits.

Profit from operations
RMB million



Total assets at 31 December
RMB million



FINANCIAL HIGHLIGHTS

	As at 31 December		
	2018 RMB'000	2017 RMB'000 (Restated)	+/-
FINANCIAL POSITION			
Total Assets	**15,853,354**	14,176,233	+11.8%
Net Assets	**6,545,794**	5,869,779	+11.5%
Net Current assets	**3,671,599**	2,645,090	+38.8%
Cash and cash equivalents	**2,930,271**	2,259,890	+29.7%
Bank loans and loans from related parties	**1,199,107**	1,495,308	-19.8%
Gearing Ratio[1]	**18.3%**	25.5%	-7.2ppt

	For the year ended 31 December		
	2018 RMB'000	2017 RMB'000 (Restated)	+/-
OPERATING RESULTS			
Revenue	**13,051,651**	10,706,590	+21.9%
Gross profit	**2,225,748**	1,727,025	+28.9%
EBITDA	**1,367,559**	996,220	+37.3%
Profit from operations	**1,098,087**	743,960	+47.6%
Profit attributable to equity shareholders	**785,502**	420,077	+87.0%
PER SHARE DATA			
Earnings per share – Basic	**RMB0.403**	RMB0.217	+85.7%
Earnings per share – Diluted	**RMB0.398**	RMB0.215	+85.1%
Net asset value per share	**RMB3.278**	RMB3.022	+8.5%
KEY STATISTICS			
GP ratio	**17.1%**	16.1%	+1.0ppt
EBITDA margin	**10.5%**	9.3%	+1.2ppt
Operating profit margin	**8.4%**	6.9%	+1.5ppt
Net profit margin[2]	**6.0%**	3.9%	+2.1ppt
Return on equity[3]	**13.0%**	7.7%	+5.3ppt
Interest coverage – times	**16.1**	9.7	+6.4
Inventory turnover days	**117**	108	+9
Debtor turnover days	**84**	98	-14
Creditor turnover days	**87**	89	-2

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

CORPORATE INFORMATION

Directors

Executive Directors

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

Non-executive Directors

Yu Yuqun
Wang Yu
Zeng Han

Independent Non-executive Directors

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

Company Secretary

Cheong Siu Fai *CPA*

Audit Committee

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

Remuneration Committee

Tsui Kei Pang*
Zeng Han
Zhang Xueqian

Nomination Committee

Gao Xiang*
Zhang Xueqian
Wang Caiyong

* *chairman/chairperson of the relevant Board committees*

Authorised Representatives

Gao Xiang
Cheong Siu Fai

Registered Office

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

Head Office in the PRC

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

Principal Place of Business in Hong Kong

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisor

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

Principal Bankers

Agricultural Bank of China
ANZ Bank
Bank of Communications
Bank of China
China Construction Bank
Dah Sing Bank
Taipei Fubon Bank
Rabobank

Principal Share Registrar and Transfer Agent

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

Hong Kong Branch Registrar and Transfer Office

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

Important Date

Annual General Meeting

20 May 2019

Closure of Register of Members for the 2018 Final Dividend

27 May 2019 to 31 May 2019 (both days inclusive)

Payment of 2018 Final Dividend

On or about 24 June 2019

Stock Code

3899

Company Website

www.enricgroup.com

Investor Relations Portal

www.irasia.com/listco/hk/enric

CHAIRMAN'S STATEMENT

Dear Shareholders and Partners,

CIMC Enric achieved healthy growth and sustainable development in the year 2018. Compared with 2017, profit attributable to equity shareholders of the Company increased significantly for the year of 2018. We strive to become a respected world-leading enterprise in the clean energy, chemical and environmental, and liquid food industries.

Major Events of 2018

On 23 April 2018, an indirect wholly-owned subsidiary of the Company entered into an equity share transfer agreement in relation to acquire the entire equity interest of 南通永信物流有限公司 (Nantong Yongxin Logistics Co., Ltd. currently known as CIMC Nantong Port Development Co., Ltd.), which engages in the provision of terminal operation and depot services. With the acquisition, the Group has the opportunity to expand into the terminal operation business. This also strengthens the Group in the market by increasing efficiency and rate of return of the terminals through better allocation of resources and synergistic effects.

On 18 May 2018, Mr. Jin Jianlong retired as a non-executive Director of the Company and ceased to be a member of Remuneration Committee of the Company. While Mr. Zeng Han was appointed as a non-executive Director and a member of Remuneration Committee of the Company. Mr. Jin Yongsheng ceased to be a non-executive Director of the Company with effect from and upon the expiration of his letter of appointment on 29 September 2018. Mr. Wang Caiyong was appointed as an independent non-executive Director of the Company with effect from 1 October 2018. On 15 October 2018, Mr. Wong Chun Ho resigned as an independent non-executive Director of the Company, and ceased to be the chairman of the Audit Committee and a member of Nomination Committee. Ms. Yien Yu Yu, Catherine was appointed as an independent non-executive Director and chairman of Audit Committee. Mr. Wang Caiyong was appointed as a member of Nomination Committee. The Chairman and Nomination Committee would review the structure, size and composition, including skills, knowledge and experiences of the Board from time to time for the complement of the Group's development strategy.

On 26 June 2018, the Company adopted the Restricted Share Award Scheme (2018) (the "Share Award Scheme"), to issue of not more than a total of 50,000,000 restricted shares to not more than 500 selected participants at the subscription price of HKD3.71. On 10 August 2018, the shareholders approved 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 of the Share Award Scheme. On 24 August 2018, all the conditions precedent under the Share Award Scheme have been fulfilled. 46,212,500 restricted shares have been allotted to and accepted by the selected participants.

On 20 July 2018, an indirect wholly-owned subsidiary of the Company entered into a capital increase agreement in relation to the increase of registered capital of 中集集團財務有限公司 (CIMC Finance Company Limited, "CIMC Finance"), and the Group holds 7.01% of the shareholding in CIMC Finance. CIMC Finance is a banking financial institution established in the PRC and principally engaged in the provision of financial services to fellow subsidiaries of CIMC. The financial services provided by CIMC Finance are diversified and can meet the business needs of the Group.

On 20 July 2018, an indirect wholly-owned subsidiary of the Company entered into a capital increase agreement in relation to the increase of registered capital of 深圳中集同創供應鏈有限公司 (Shenzhen CIMC Tongchuang Supply Chain Co., Ltd., "CIMC Tongchuang"), the Group has held 10% of the shareholding in CIMC Tongchuang. CIMC Tongchuang is principally engaged in supply chain management and sales services for various steel and aluminium products. CIMC Tongchuang's professional procurement platform will strengthen the efficiency of the Group's supply chain management.

Results of the Year

Revenue rose by 21.9% to RMB13,051,651,000 (2017: RMB10,706,590,000). The clean energy segment's revenue rose by 21.5% to RMB6,027,083,000 (2017: RMB4,958,683,000). This mainly due to the increase in import of natural gas in China, especially liquefied natural gas ("LNG"), which substantially boosted the demand for the Group's natural gas equipment and services in 2018. As a matter of fact, the Group's natural gas transportation and storage equipment benefited the most. On the other hand, the Group's natural gas application equipment saw a slight decline in revenue which to some extent offset the revenue growth from storage and transportation equipment. The chemical and environmental segment's revenue increased by 24.5% to RMB3,768,279,000 (2017: RMB3,026,389,000) mainly because of increased level of activities in the global chemical industry which raised the demand for tank containers. The liquid food segment's revenue posted a growth of 19.1% to RMB3,198,237,000 during the year (2017: RMB2,686,204,000) due to industry sustain growth and a successful M&A strategy. The unallocated revenue increased by 64.4% to RMB58,052,000 during the year (2017: RMB35,314,000).

Profit from operations rose from RMB743,960,000 in 2017 to RMB1,098,087,000 in 2018. The profit attributable to shareholders of the Company rose from RMB420,077,000 in 2017 to RMB785,502,000 in 2018. Basic and diluted earnings per share increased to RMB0.403 and RMB0.398 respectively (2017: basic and diluted earnings RMB0.217 and RMB0.215 respectively).

2018 Final Dividend

Taking into consideration of the Group's business development and efforts to increase return on equity, the Board proposes a final dividend for 2018.

The Board recommends a final dividend in respect of 2018 of HKD0.14 (2017: HKD0.08) per ordinary share payable in cash on or about 24 June 2019 to shareholders whose names appear on the register of members of the Company on 31 May 2019, subject to shareholders' approval in the forthcoming annual general meeting on 20 May 2019.

Market Recognitions

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

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

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

Prospects

Since 2018, the global economy has continued to grow, albeit at a slower pace. Volatile crude oil prices, increasing trade frictions, emergence of protectionism, rise of unilateralism combine to cast uncertainty over the global economic growth in 2019. Nevertheless, the global economy will continue to expand in 2019 according to the IMF's projection, with the growth rate expected to slow down to 3.5%.

Against this backdrop, the Chinese economy is expected to continue to be under pressure and is estimated by the IMF to achieve economic growth of 6.2% in 2019. The Chinese economy is expected to expand in stability without any sudden loss of steam nor downturn.

We believe the Company will have tremendous growth opportunities in the clean energy, chemical and environmental and liquid food sectors in 2019, still it will also be a challenging year. Pursuant to the special mandate granted at the Extraordinary General Meeting, the Company adopted its first ever restricted share award scheme in 2018, providing a significant boost to the unity of its core management which should effectively motivate them to seize opportunities in the market and deliver outstanding results.

Clean Energy Segment

China's natural gas demand recorded a rapid growth in 2018, following strong momentum in the two previous years. During the year, China overtook Japan to become the world's single largest natural gas importing nation. The majority of the increment in imports was in the form of LNG imports.

In comparison with 2017, there was no large-scale gas undersupply nor significant hikes in natural gas prices in China during the year. Natural gas demand and supply was generally tight on a nationwide basis, while the bottleneck in seasonal demand and supply was somewhat alleviated. Natural gas demand was characterised by "stable demand in low seasons and excessively high demand in peak seasons", thanks to stronger joint efforts among enterprises to ensure supply and better coordination among different authorities. During the year, natural gas was shipped from Hainan to Shandong and Liaoning using LNG marine tank containers for the first time. All of the 130 LNG tank containers used in this "South-to-North Gas Transportation" were developed and manufactured by the Company.

Security in supply and relative stability in prices are hallmarks of a maturing natural gas industry in China. In the long run, this will benefit applications relating to downstream sector, such as those on-vehicle LNG equipments and offshore LNG applications. In order to ensure sustainable development for China's natural gas industry, shortage in domestic gas peak-shaving storage capacity should be tackled by stepping up infrastructure construction and driving the development of a natural gas "production – supply – storage – sales" system. The Company is committed to the provision of "equipment + engineering + finance" gas peak-shaving storage bundled solutions for customers and there was a notable growth in sales orders in 2018.

The coming decade will be a golden period for natural gas development in China, and the import of natural gas, in particular LNG, is expected to sustain rapid growth. Moreover, with the Sino-U.S. trade talks making progress in recent sessions, the volume of Sino-U.S. trade in energy, such as natural gas and ethane, is expected to increase, which would benefit the segment directly. Other than imports, there will also be stable increase in the domestic production of gas, especially unconventional natural gas. The segment will leverage its capability in equipment and engineering integration to explore business opportunities arising from unconventional natural gas key equipment and total solutions.

In close tandem with market trends, this segment will pursue strategies such as the optimisation of operation, capacity integration and business synergy, as it continues to reinforce and expand its general capabilities in key equipment manufacturing, engineering services and solutions for natural gas storage, transportation and other applications, in a bid to develop businesses along the entire industry chain, especially expansion in offshore LNG applications (such as small- and-medium-sized liquified gas carriers, LNG marine fuel tanks). At the same time, this segment will vigorously develop solutions for the transportation of clean energy and fuel comprising mainly natural gas, energy fuel, city gas peak-shaving storage and LNG intermodal transportation, as well as actively explore diversification to other businesses in the clean energy business chain, in order to secure sustainable and stable development.

Chemical and Environmental Segment

As an upgrade product of the traditional container, the tank container is primarily used for the transportation and storage of specialised goods, such as hazardous chemicals. It has strong leakproof qualities and can be reused for multiple times in a relatively long life cycle for intermodal transportation (i.e. marine, road and rail transportation). The tank container has the merits of being safe, cost-effective, eco-friendly and efficient, and has been widely used in Europe and America for many years. The rapid development of the chemical sector in emerging markets, such as China, Southeast Asia, India and Russia, has directly driven their demand for tank containers.

The Company is the world's only company with capabilities in the design, manufacture and sales of a full range of tank containers, including standard liquid tank containers, various types of special liquid tank containers, gas tank containers, powder tank containers and cryogenic tank containers. Branded under "CIMC Tank", our tank container, has maintained the top position in the global market for 15 years in a row. With the further promotion of tank containers as a smarter green logistics model in the global chemical logistics industry, this segment is expected to report stable growth in the coming years. The segment will remain committed to the provision of chemical logistics solutions and one-stop services for customers, with a view to further cementing its leading position in the global market. Meanwhile, we will develop abilities to provide customers with after-sales services for tank containers, so as to build a tank container-based new model for the internet-of-things (IOT) to help customers strengthen digitalisation and improve efficiency.

Supported by national policies on environmental protection, this segment is developing capabilities for the manufacturing and systems integration of eco-friendly equipment and actively exploring business opportunities in environmental management based on China's requirements for solid and hazardous waste treatment. Therefore, we are looking forward to the segment's thriving development in the future.

Liquid Food Segment

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

With the integration of Briggs into the Group, we secured a stronger position in the distilling market and our ambition is to further develop the EPC project offerings by focusing on the requirements of the customers and our competences for process equipment and turnkey projects, also in the distilling market. After being successful in North and South Americas, core focus for Briggs will be on entering the Asian market.

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

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

Appreciation

Mr. Jin Jianlong retired as non-executive Director of the Company on 18 May 2018, Mr. Jin Yongsheng ceased to be non-executive Director of the Company on 29 September 2018, and Mr. Wong Chun Ho resigned as independent non-executive Director on 15 October 2018, I would like to take this opportunity to thank them for their contribution to the Group during their tenure of office, and express warmest welcome to Mr. Zeng Han, Mr. Wang Caiyong and Ms. Yien Yu Yu, Catherine.

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

Gao Xiang
Chairman

Hong Kong, 21 March 2019

CLEAN ENERGY

Natural Gas
Storage Infrastructure

Natural Gas
Transportation
Equipment

Natural Gas
Offshore Application
and Transportation

Industry Overview

Natural gas is a form of low-carbon energy that boasts quality and efficiency while being clean and eco-friendly. Against the backdrop of increasing global environmental awareness, global supply and demand of natural gas has substantially increased in recent years. The natural gas market liberalisation has been accelerating. In particular, liquefied natural gas ("LNG"), characterised by ease of storage and transportation thanks to its small unit size, has further driven the development of global natural gas trade.

Driven by factors such as environmental initiatives, coal-to-gas conversion, rising prices for alternative energy, the PRC government has announced a range of favourable policies in recent years in a full effort to promote the use of clean energy especially natural gas, as well as infrastructure facilities such as natural gas pipes, underground gas storage facilities and LNG receiving terminals. According to the estimates in the "Report on the Development of Domestic and International Oil and Gas Industries 2018", China's annual consumption of natural gas amounted to 276.6 billion cubic metres, representing a growth rate of 16.6%. Natural gas import sustained rapid growth, as annual import for 2018 was estimated at 125.4 billion cubic metres. China's natural gas industry has entered a golden period of development.

Date	Authority	Document	Key content
December 2016	NDRC, National Energy Administration	"13th Five-Year Plans for the Development of Natural Gas"	Calling for the increase of natural gas consumption, as a percentage of one-off energy consumption, from 5.9% in 2015 to 8–10% in 2020.
February 2017	Ministry of Environmental Protection, NDRC, Ministry of Finance, National Energy Administration and 6 provinces and municipalities: Beijing, Tianjin, Henan, Hebei, Shanxi and Shandong	"2017 Air Pollution Prevention Plan for Beijing, Tianjin, Hebei and Surrounding Areas"	Driving the "coal to gas" conversion trend in "2+26" cities in 2017.
June 2017	NDRC	"Guiding Opinion regarding the Strengthening of Regulation over Gas Distribution Prices"	Local authorities are instructed to further strengthen regulation over city and township gas distribution prices to drive faster market-oriented development for natural gas.
June 2017	13 ministries and commissions including NDRC	"Opinion on Expediting the Use of Natural Gas"	The status of natural gas as a dominant energy form in the domestic modern clean energy system is stipulated.

Date	Authority	Document	Key content
October 2017	NDRC, National Energy Administration	"Notice on the Full Commencement of Self-inspection and Rectification regarding the Construction and Operation of Natural Gas Storage Peak-shaving Facilities"	The storage responsibility and benchmarks of "10% for gas suppliers, 5% for city gas operators and 3 days for local governments" are stipulated.
December 2017	NDRC, National Energy Administration, Ministry of Finance, Ministry of Environmental Protection and 6 other national ministries	"Notice on the Publication of Planning for Clean Heat in Winter for Northern Regions (2017–2021)"	Calling for the clean heat rate for northern regions to reach 50% by 2019 and 70% by 2021, replacing 74 million tonnes and 150 million tonnes of scattered coal (including low-efficiency boiler coal), respectively.
April 2018	State Council	"Opinion on Expediting Construction of Storage Facilities and Improving Market Mechanism for Gas Storage Peak-shaving Ancillary Services"	The development of a natural gas production – supply – storage – sales system is expedited.
June 2018	NDRC	"Specific Administrative Measures for Investment (Subsidy) within Central Budget in Construction of Emergency Gas Storage Facilities in Key Areas"	The scope of business to be supported by investment within the central budgets, methods of provision, arrangement procedures and supervisory matters are stipulated in the measures
August 2018	NDRC	"Administrative Measures regarding Peak-shaving for Natural Gas Users (Trial) (Draft for Comment)"	Clear guidance for the administration of peak-shaving for natural gas users

Date	Authority	Document	Key content
August 2018	Ministry of Transport	"Opinion on Further Promotion of LNG Use in Water Transport Industry (Draft for Comment)"	A comprehensive standard for the use of LNG in water transportation to be completed by 2020 pushing LNG application in water transportation; initiating refueling station network for water transportation; building a LNG water transportation system in an orderly manner.
September 2018	State Council	"Opinions on Facilitating Coordinated and Stable Development of Natural Gas"	• Gas storage responsibility and benchmarks of "10% for gas suppliers, 5% for city gas operators and 3 days for local governments" reiterated. • A diversified overseas natural gas supply system should be developed. • "Coal-to-gas" conversion must follow the principle of "conversion by available gas supply"; a sound supply-side administration and peak-shaving mechanism for natural gas and a comprehensive natural gas supply assurance and contingency system should be developed.

Industry Overview

The sustained growth in global LNG trade, U.S. commercial mass production of shale gas and expectations for stable ethane exports US will favour the development of liquefied multi-gas carriers. With global regulation on ships fuel efficiency becoming more rigorous in restrictive standards and more extensive in geographic coverage, LNG-powered vessels would embrace broader market prospects globally in the long term. China's well-developed policy for "gas-powered marine transport in Yangtze" focused on LNG application in the nation's river transport will provide a direct driving force for freight vessel fuel conversion, construction of offshore refuelling stations and river-ocean intermodal LNG tank container transportation.

The "Opinions on Facilitating Coordinated and Stable Development of Natural Gas" announced by the State Council in September 2018 reiterated provisions for storage responsibility and benchmarks: "10% for gas suppliers, 5% for city gas operators and 3 days for local governments". Policy support coupled with market demands will favour the construction of gas storage infrastructure in China in the coming years.

Faster exploration and utilisation of natural gas complemented by stable development of the natural gas industry is an important pathway to the development of a system for clean, safe and efficient low-carbon energy and essential to the people's pursuit of a pleasant life.

Business Review

In 2018, the first phrase storage tank project at Qidong Receiving Terminal of Guanghui Energy Co., Ltd. and the first phase of Zhoushan LNG Receiving Terminal of Xin'ao Group, built with CIMC Enric as one of the contractors, were completed and commissioned. Towards the end of the year, CIMC Enric further signed and commenced construction for the second-phase project at Zhoushan to help secure access for import of natural gas from international markets. In the meantime, CIMC Enric was supportive in natural gas supply in China and completed China's first river-ocean intermodal transportation using LNG tank containers for the "South-to-North Gas Transmission" initiative in collaboration with CNOOC Gas & Power Group Co., Ltd. and China LNG Group Limited. Built for storage as well as transportation, LNG tank containers can be used in intermodal transportation across land, water, rail and ocean routes and represent the fourth type of brand new mode for natural gas transportation, in addition to land pipes, tank trucks and LNG vessels. Apart from geographic re-allocation, the PRC government had been placing an increasing emphasis on the construction of gas storage peak-shaving infrastructure facilities, while there was a notable price gap for natural gas alternative energy source in 2018. As a result, the segment reported remarkable growth in LNG small- and medium-sized peak-shaving storage tank equipment during the year, as the vehicular LNG market stabilised in rebound during the fourth quarter, while demands for LNG offshore application increased.

The Group completed the acquisition of the full equity interests in Nantong SinoPacific Offshore & Engineering Co., Ltd. ("SOE") in August 2017. SOE is a world leader in the sub-segment of liquefied gas carriers with the largest global market share. The addition of SOE has enhanced our Company's capabilities in key equipment manufacturing and engineering services for the full industry chain of the natural gas business and facilitated the extension of our strategic deployment from land to sea. Through the introduction of the Company's lean production and management systems, SOE has seen notable improvements in production safety, quality control and cost control following the acquisition. Sales contributions and new orders were recorded in 2018.

Thriving market demand always comes with competition. The Group is China's only manufacturer of equipment manufacturing and provider of engineering services claiming full coverage of the natural gas value chain and capable of providing one-stop system solutions. We offer one-stop solutions comprising products and services with an aim to satisfy customer's needs and the most systematic solutions, with solid market positions in all product sub-segments and leading the nation in terms of production and sales of LNG, LPG and CNG storage and transportation products.

To cement its position as a market leader, the segment has adopted a competitive strategy of differentiation and localisation to cater to market competition in China and further expand its business presence. The capacity allocation and business mix of the LNG equipment business and the CNG equipment business have been adjusted as appropriate.

Operational Performance

During the year, the clean energy segment's revenue rose by 21.5% to RMB6,027,083,000 (2017: RMB4,958,683,000). This mainly due to the increase in import of natural gas in China, especially LNG, which substantially boosted the demand for the Group's natural gas equipment and services in 2018. As a matter of fact, the Group's natural gas transportation and storage equipment benefited the most. On the other hand, the Group's natural gas application equipment saw a slight decline in revenue which to some extent offset the revenue growth from storage and transportation equipment. At the same time, the revenue of Group's other clean energy equipment (other than natural gas), remained stable. The segment remains the top grossing segment and accounted for 46.2% of the Group's total revenue (2017: 46.3%).

Research and Development

During 2018, the clean energy segment conducted a number of successful R&D projects, such as LNG fuel tanks for large ocean vessel, novel LNG refuelling station for Shell, intelligent LNG supply system for automobile, low-centre-of-gravity safety liquefied gas semi-trailers, LNG double-walled full capacity metal storage tanks, cryogenic energy utilisation, among others, in a bid to strengthen its reserve in core technologies. In particular, Shell's first LNG filling station in Europe manufactured by CIMC Sanctum was officially put into operation in Belgium as the first of its kind in the world that applies new technologies such as zero natural gas emission and unmanned duty shifts. In connection with LNG cryogenic tank containers, we actively participated in China's first-ever "South-to-North Gas Emission" project using LNG tank containers with the support of Anjiehui IOT solutions and after-sales maintenance systems, making contributions to a breakthrough in the nation's LNG transport modes. SOE successfully delivered the world's most advanced LEG vessel during the year, while construction for orders on hand was progressing in a systematic manner.

The segment was making vigorous effort to enhance the R&D and reserve of core technologies with a number of research projects in progress during the year, such as the intermodal LNG tank container, high-purity electronic gas cylinder and large-volume Type III gas cylinder. We are also engaged in active development of design and construction technologies for multi-category spherical tanks, including the R&D of large-volume LPG spherical tank and hydrogen steel spherical tank.

To meet the evolving needs of customers and enhance the Group's competitiveness, the segment is committed to ongoing product innovation and oversea markets development. Relevant R&D projects were launched during the year to foster strong competitive edge for the Group. These included the skid-mounted LNG filling station and the marine LNG fuel tank and supply system for the international market.

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

Moreover, the R&D team plays an important role in the development of EPC (engineering, procurement and construction) services and delivers added value to customers through the development of LNG, CNG and LPG storage and transportation solutions and wellhead gas recovery and liquefaction solutions and active investigation of the industrialisation of application of carbon capture technologies.

Sales and Marketing

The Group's clean energy segment has established sales offices in China, Southeast Asia, Russian-speaking regions and North America and branch companies in the United States and Singapore engaged in relevant businesses. Within this segment, cryogenic, medium-pressure and high-pressure equipment are mainly sold under the brand names "Enric", "Sanctum" and "Hongtu", respectively. Liquefaction engineering projects and EPC engineering projects operate respectively under the brand names "Hashenleng" and "YPDI". Marine gas products and engineering services are provided under the brand name "SOE". Intelligent IOT platforms are sold primarily under the brand name "Anjiehui". Our customer base includes renowned companies such as ENN Group, Guanghui Energy China Gas, CR Gas, Towngas China, Sinotruk, Foton, Shaanxi Heavy Duty Automobile, AP, Linde, and Praxair.

Future Plans and Strategies

The strong growth in China's natural gas consumption has been trying times for the supply of natural gas. Driven by coal-to-gas conversion and other related policies, the growth in demand from certain regions has outpaced the speed of infrastructure construction. Therefore, the supply during peak seasons is expected to remain tight. For the longer term, it is imperative that diverse sources are developed for stable and sufficient gas supply and facilities such as gas transmission pipes, gas storage terminals and LNG storage tanks are built at a faster pace to ease the bottleneck.

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

Meanwhile, to address the various important opportunities arising from the accelerating global trend of low-carbon economic development and clean energy applications, the segment will further consolidate its overseas energy operations and increase the commitment of resources to the clean energy sector, especially in relation to new business chains such as nuclear energy application, hydrogen energy application, as well as other clean energy storage and distribution. We will also consider cooperation with leading players in the relevant sectors to secure new opportunities for growth.

CHEMICAL AND ENVIRONMENTAL

Industry Overview

The principal products of this segment comprise tank containers characterised by safety features, eco-friendliness, cost-efficiency and compatibility with intermodal transportation, which are used as a chemical logistics equipment for the storage and transportation of a wide range of chemical products in liquefied, gas or powder forms. The global tank container fleet is estimated to reach 600,000 units by the end of 2018.

With more sophisticated developments in the logistics for the transportation of chemical products, Europe and America are the major global markets for tank containers. Sales of tank containers in these regions have become relatively stable, while the demand for tank containers in emerging markets has been gradually growing in line with the replacement and upgrade of traditional transportation modes for the local chemical industries of these emerging markets and the increasing concern for safe, efficient and eco-friendly transportation of hazardous goods. As a result, the global market for tank containers has been able to sustain growth. Compared with the extensive use of tank containers in Europe and America, the transportation of chemicals in China are largely through traditional modes such as tank trucks, drum barrels or bags. However, this situation has improved since recent years following the announcement by relevant PRC government authorities of policies encouraging intermodal transportation with the use of tank containers. Specifically, efforts have been made to advance the construction of infrastructure for logistics, showcase projects for intermodal transportation and intermodal transportation hubs. Such initiatives will help to enhance the penetration of tank containers in China's logistics industry. A green logistics mode which is safer, more cost-effective, more eco-friendly and commanding more intelligent features will be the dominant trend in global chemical logistics. The segment expects stable growth for the tank container industry in the coming years.

Since 2017, China has further strengthened its rigorous ecological and environmental governance with a strong determination to alleviate pollution. The environmental sector, which involves equipment, engineering and service, is a rising industry commanding an enormous market potential with bright prospects as well as high profit margins. The current low level of industry concentration will favour entry into the market.

Date	Authority	Activity/document	Key content
18 May 2018	Ministry of Ecology and Environment	National Convention on Ecology and Environmental Protection	General Secretary Xi Jinping delivered talk calling for the association of ecological civilisation with economic and social development and resolution in winning the battle against pollution in a full effort to advance green development, pointing out the direction for China's environmental industry.
9–15 May 2018	Ministry of Ecology and Environment	"Waste Clearance Campaign 2018"	Special initiative against illegal acts in relation to solid wastes through on-site supervision and inspection: on-site inspection and verification of 2796 solid waste stack areas in 11 provinces/municipalities in the Yangtze Economic Belt, identifying 1308 issues.
24 June 2018	State Council	"Opinion of the CPC Central Committee and State Council on Full Enhancement of Ecological Protection and Resolve to Win the Battle Against Pollution"	Unequivocal call for winning the three battles against pollution to defend the blue sky, clear water and clean land.
11 July 2018	NDRC	"Opinion on the Innovation and Improvement of Price Mechanisms Conducive to Green Development"	Proposition of tariff mechanism for municipal waste water treatment, daily waste treatment, hazardous waste disposal and solid waste disposal; more private capital will be solicited for the ecological protection sector.

Business Review

The global chemical industry had a robust year in 2018, with higher volumes in the production and transportation of chemicals. Vigorous moves by global tank container leasing companies and logistics operators to increase investments provided a direct driving force for growth in tank container sales. The segment's tank container business outperformed amidst intense market competition, hitting historic highs in production volumes while delivering outstanding sales performance in connection with mainstream products. Meanwhile, in response to increasing demand for tank containers with larger volumes, lighter weight and enhanced functions on the part of mainstream customers, the business segment has increased R&D on products meeting the specific requirements of mainstream customers.

Supported by national policies on environmental protection, this segment is actively exploring domestic business opportunities for environmental management. The segment has established an Environmental Business R&D Centre to develop abilities in the manufacturing and systems integration of environmental equipment. Currently, it has developed core technologies with proprietary intellectual rights and made solid progress in the development and manufacture of environmental equipment and the storage and transportation of highly-concentrated liquid wastes. As such, we are looking forward to thriving development in the future.

Operational Performance

The chemical and environmental segment's revenue increased by 24.5% to RMB3,768,279,000 (2017: RMB3,026,389,000) mainly because of increased level of activities in the global chemical industry which raised the demand for tank containers. Moreover, the appreciation of USD against RMB during the year has also contributed to the revenue growth of this segment as most of the segment's products are priced in USD. The segment made up 28.9% of the Group's total revenue (2017: 28.3%).

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 ranges and varieties of chemical tank containers have been developed. In 2018, the segment successfully developed the 45-ft mega-volume swapbody tank container, tank container with anti-corrosive lining and large-volume railway tank container meeting the requirements of European customers. With these products which enhance the logistics capacity and efficiency of customers, we continue to stay atop of our peers in terms of tank container technology. Meanwhile, in connection with the manufacturing of tank bodies, we were actively investigating the use of novel eco-friendly materials to increase the effective loading capacity of tank containers by reducing their own weight. To meet special requirements for the transportation of chemicals, such as the need for insulation and anti-corrosion properties, we have worked with foreign as well as domestic companies to tackle new technologies for tank container lining processing and develop new tank containers with special linings such as coating, rubber lining and PTFE lining, in an ongoing effort to expand the range of special tank containers developed and manufactured on a proprietary basis. We have successfully developed special tank containers for highly hazardous items, such as the tank container for special refrigerant gas and the railway tank container for sulfuric acid, so as to facilitate the transportation of chemicals in more varieties to meet different requirements of customers.

The segment is also committed to ongoing product innovation. We are actively engaged in the development and application of new materials for container body, and are currently developing large-volume, light-weight gas tank containers, ISO liquid tank containers and extra-large widebody liquid tank containers, which are all world-leading standards. We have successfully developed gas tank containers which have passed the KHK accreditation of Japan, DOSH accreditation of Malaysia and EU TED accreditations to answer the enormous market demand for transportation from the chemical logistics industry.

The segment is also focused on the R&D of IOT technology for tank containers. In this connection, the "container friend" and "container distance" platforms have been developed and put into operation to provide integrated one-stop solutions for monitoring, management platform and services for the chemicals logistics industry chain. By assisting customers in product supply and offering services and better experience for customers' operational management, we have formed a new business and profit centre.

To facilitate the Group's sustainable and healthy development and further enrich the Group's product lines, the segment has been engaged in vigorous developments in the new chemical and environmental sector and environmental management in solid waste disposal, as well as its ability to manufacture core environmental equipment and provide EPC services. We have completed the functional tests in relation to the use of tank containers in the transportation and online storage of liquid wastes by companies engaged in hazardous waste treatment and have obtained initial approval from customers. Meanwhile, we have achieved initial progress in our research on skid-mounted liquid chemical waste processing technology, equipment and hazardous waste treatment equipment and systems solutions for chemical plants.

Sales and Marketing

The chemical and environmental segment has a sales company in Europe and sales offices in Russia and Korea. The Group's chemical equipment products are mainly marketed under the brand of "CIMC TANK" in numerous countries and regions around the globe, ranking top in the global market for 15 years in a row. Our major customers include container leasing companies such as EXSIF, CS Leasing and Eurotainer, as well as operators such as STOLT, BERTSCHI and SUTTONS.

Future Plans and Strategies

The Group's chemical and environmental segment will continue to enhance R&D and market development for tank containers. 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 strengthen digitalised operations with the use of IOT technologies.

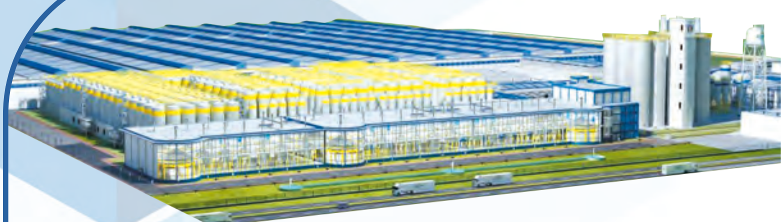
The Group's downstream customers include companies in the clean energy, chemical and environmental and liquid food sectors, the manufacturing processes of which typically involve the generation of massive amounts of acid waste, dust and slag. Hence, downstream customers have a strong demand for specialised recycling and treatment services. Riding on relevant national policies, the segment has been actively investigating the possibility of developing an environmental business in China with a strong focus on the R&D and manufacturing of eco-friendly equipment. This will be a strategic development for the longer term based on our inherent equipment manufacturing capability, a broad and large market demand, and the potential growth of the environmental industry.

LIQUID FOOD


Liquid Food Tank and Vessel



Liquid Food Processing Equipment



Large-scale Brewery Turnkey Project

Industry Overview

The liquid food industry comprises several markets, including soft drinks, alcoholic drinks (such as beer, wine and spirits), distilleries, fruit juice, dairy and other liquid food. In recent years, the liquid food industry has been growing fast due to steady growth in population, increasing global prosperity, rising living standards and improving awareness of food safety and health. The Group's liquid food business is well positioned in the industry and management sees further opportunities for growth.

According to the Beverage Processing Equipment Market Report, the global beverage processing equipment market worthed USD11,140 million in 2018 and the industry remains showing medium to high growth rates, with significant opportunities in Asia-Pacific market and in non-carbonated beverage segment holding high potential for beverage processing equipment.

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

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

With the integration of Briggs, the segment has secured a stronger position in distilling industry and the ambition is to further develop the EPC project offerings by focusing on the requirements of the customers and its competences for process equipment and turnkey projects.

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

Business Review

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

The segment's core competence was further demonstrated in Latin America, regarding large scale industrial brewery and brew house installations as well in other industries and commissioning, including the updating process of the automation systems.

Sales order in 2018 increased for the domestic and international business, as well for the non-beer business. While developing craft beer business in Asia, the segment has developed new businesses diverse markets such as rice wine and pharmaceuticals.

The global craft beer wave continued in 2018 and after successful installation and commissioning of two iconic US craft breweries, additional projects in Europe were won for the segment. The market for craft beer is considered an interesting growth opportunity for the segment.

Operational Performance

The liquid food segment's revenue posted a growth of 19.1% to RMB3,198,237,000 during the year (2017: RMB2,686,204,000) due to industry sustain growth and a successful M&A strategy. The segment accounted for 24.5% of the Group's total revenue (2017: 25.1%).

Research and Development

In 2018, 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 supply system and the wine mixing system, as well as continuing to improve and promote its premium brewing system and equipment (craft beer).

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 R&D ability in new brewing technologies and achieve diversification through new business exploration.

In 2018 the Group equipped for the first time a commercial brewery with the new revolutionary brew house concept, Omnium. With Omnium, the Group has developed a novel brewing process for the international brewing industry, which is consequently based on the latest product innovation Nessie. Nessie is revolutionising the conventional lautering process by means of a continuous separation and extraction of the mash. With Omnium, the brew house tasks are divided into sub processes, which are treated individually and, by subsequently combining partial flows, finally completed in an optimal way. As a result, significantly shorter process times and higher raw material yields can be achieved. The process has a positive impact on the quality parameters of the wort. In addition, the fermentation can be accelerated, leading to increased brew house and cellar capacities.

During the international trade fair BrauBeviale in November 2018, the Group received further orders and multiple enquiries within the liquid food sector.

The liquid food segment will continuously endeavour to lower costs by improving efficiency and products, in order to remain an attractive partner for its customers in terms of pricing and quality. Additionally, focus will be on the need to expand its product and service base to include the offering of turnkey solutions and to explore new technologies for diversification opportunities.

Sales and Marketing

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

Future Plans and Strategies

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

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

Qualifications

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

The Group possesses qualifications from both local and international industry authorities such as the American Society of Mechanical Engineers (ASME), the China Classification Society (CCS), the China Machinery Industry Federation (CMIF), China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), the TÜV NORD of Germany, the Ministry of Commerce, Industry and Energy of Korea, the National Board of Boiler and Pressure Vessel Inspectors (NB) of the United States, the Department of Transportation (DOT) of the United States, the Russian Federation (CEPKOHC), American Bureau of Shipping (ABS), Bureau Veritas (BV) of France, and the Lloyd's Register Group (LR) of the United Kingdom, as well as the ISO9001, ISO14001, OHSAS18001 certifications by the International Organization for Standardization.

The Group also possesses certain patented technologies in a number of countries to protect its invention and know-how. As at 31 December 2018, the Group held exclusive rights to over 760 patents, including 87 invention patents and 19 patents franchised by foreign parties. The high standard of our technological innovation has been underscored by the increasing percentage share by the year of our applications for invention patents.

Cost Control

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

1. Efforts in 2018 focused on driving the development of lean ability for the entire value chain. As well as persisting in the implementation and sophistication of the Optimization Never Ending ("ONE") production model, optimisation of production technologies, production cost reduction and enhancement of product efficiency and quality, we extended the application of the lean improvement concept from production to other functional departments to improve quality are efficiency in general.

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

3. Against the general backdrop of nationwide green development, vigorous efforts were made in the inspection and rectification relating to HSE compliance and formation of a dedicated HSE team, in order to build a "healthy, pleasant, harmonious and decent" workplace.

4. Focused efforts were made to drive production-sales coordination for key products, as well as improvements to internal as well as external benchmarks, resulting in effective enhancement of the general competitiveness of products.

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

6. The Group convened regular meetings with subsidiaries to discuss and formulate procurement plans, so as to ensure the efficient and systematic conduct of procurement work.

The Group achieved sound results in cost reduction in 2018. We will continue to closely monitor and improve production costs based on the lean improvement concept in 2019.

Customer Services

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

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

The chemical and environmental segment places a particular emphasis on full-life-cycle service for tank containers. While strengthening its equipment manufacturing business, the segment has also been engaged in vigorous expansion through the development of after-sales networks to provide customers with supply of parts and components, repair services, renovation and conversion on a global basis. In the meantime, it has also enhanced the development of its "IOT + tank container" business by launching a unified platform for monitoring, managing and servicing throughout the life-cycle of the tank containers, with a view to providing optimal services and solutions to help customers manage their tank container operations.

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

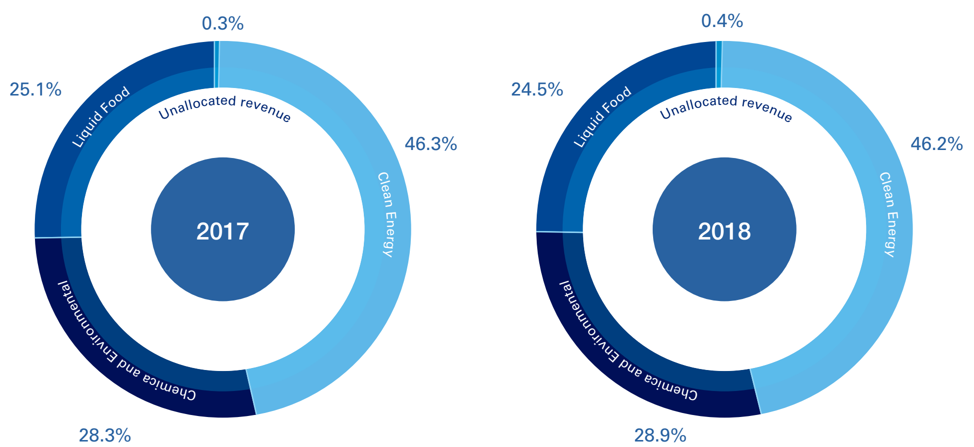
Production Capacity

In 2018, the Group invested RMB561,598,000 (2017: RMB736,210,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The clean energy segment, chemical and environmental segment and liquid food segment invested RMB240,320,000, RMB62,465,000 and RMB74,970,000 respectively (2017: RMB660,467,000, RMB47,592,000 and RMB27,542,000 respectively) in capital expenditure during the year. In addition, the Group had capital expenditure of RMB183,843,000 (2017: RMB608,000) that was not specific to any of the three business segments.

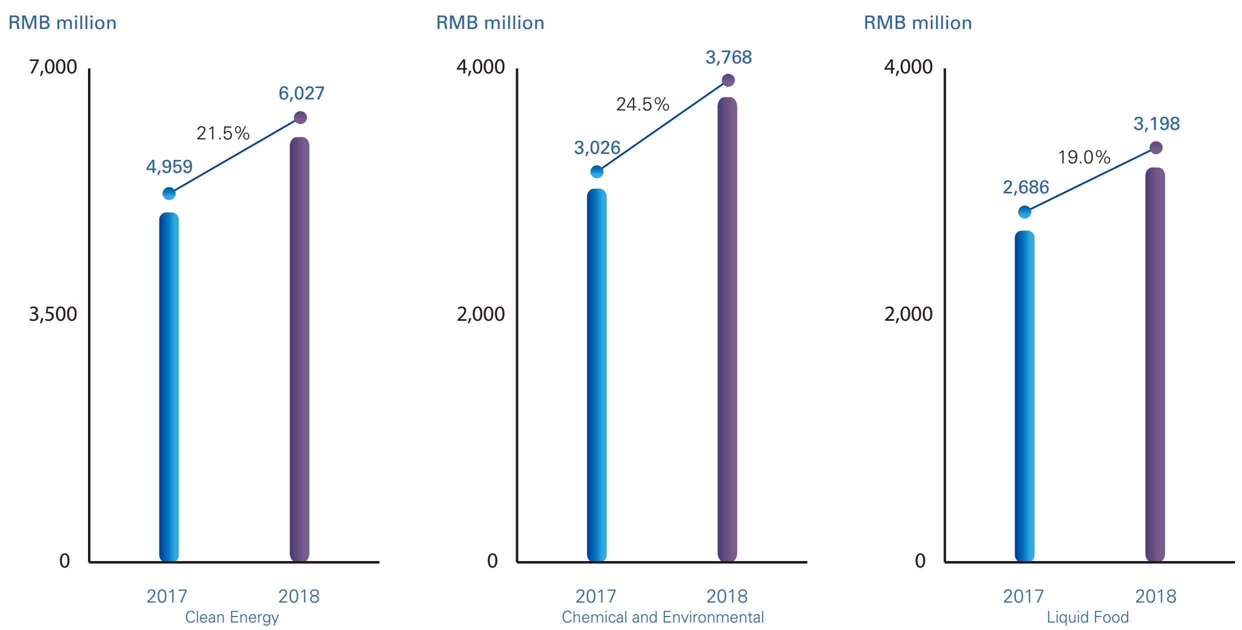
Other Revenue

Other revenue totalling RMB255,663,000 in 2018 (2017: RMB214,174,000) consisted of bank interest income, government grants and other operating revenue. The increase in other revenue during the year was mainly caused by rises in government grants and revenue from sale of scrap metals.

Sales by Business Segments



Segment Revenue



Selling Expenses

Selling expenses increased by 19.2% to RMB372,379,000 (2017: RMB312,334,000). Such expenses comprise provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses rose mainly because of higher salaries, commission, advertising and promotion expenses in relation to higher revenue during the year.

Administrative Expenses

Administrative expenses rose by 23.3% to RMB1,088,398,000 (2017: RMB882,961,000) which was mainly due to the increase in salaries and wages, research and development spending as well as equity-settled share-based payment expenses after the adoption of the restricted share award scheme in August 2018.

Impairment Loss on Financial and Contract Assets

Impairment loss on financial and contract assets fell to RMB10,678,000 (2017: RMB38,409,000) which was mainly due to improved collection of accounts receivable.

Other Net Income

Other net income of RMB90,195,000 in 2018 (2017: RMB25,970,000) comprised loss on disposal of property, plant and equipment, charitable donations, gain from bargain purchase, exchange gain and various miscellaneous income. The surge in other net income in 2018 was mainly due to the exchange gain of RMB38,990,000 (2017: exchange loss of RMB42,414,000) as a result of the appreciation of USD against RMB on the Group's USD denominated trade receivables and bank deposits. While the increase in write-off of advances from customers and payables during 2018 has to some extent offset absence of gain from bargain purchase which was a one-off item in 2017.

Finance Costs

During 2018, finance costs declined by 7.3% to RMB73,577,000 (2017: RMB79,402,000). Finance costs mainly comprised interest on bank loans and other loans from related parties of RMB67,676,000 (2017: RMB76,648,000). The fall of interest expenses was mainly due to the repayment of bank loans and loans from related parties during the year. However, bank charges rose due to the drawdown of new bank loans in 2018.

Taxation

Tax expenses for the Group rose by 75.1% to RMB237,966,000 in 2018 (2017: RMB135,866,000) which was in line with the increase in profits before taxation during the year.

Employees and Remuneration Policies

At 31 December 2018, the total number of employees of the Group was approximately 9,900 (2017: approximately 9,900). Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) were approximately RMB1,694,119,000 (2017: RMB1,498,967,000).

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

Liquidity and Financial Resources

At 31 December 2018, the cash and cash equivalents of the Group amounted to RMB2,930,271,000 (2017: RMB2,259,890,000). A portion of the Group's bank deposits totalling RMB364,971,000 (2017: RMB265,592,000), which had more than three months of maturity at acquisition, were restricted for guarantee of banking facilities. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due and continued to take a prudent approach in future development and capital expenditure. The Group has been cautiously managing its financial resources and constantly reviews and maintains an optimal gearing level.

At 31 December 2018, the Group's bank loans and overdrafts amounted to RMB1,164,107,000 (2017: RMB1,390,308,000) and other than a three-year syndicated bank loan, the remaining are repayable within one year. Apart from the USD-denominated syndicated bank loan and the HKD-denominated loans that bear interest at floating rates, the overall bank loans bear interest at rates from 3.35% to 4.69% per annum. At 31 December 2018, the Group did not have any secured bank loan (2017: Nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2017: Nil). As at 31 December 2018, loans from related parties amounted to RMB35,000,000 (2017: RMB105,000,000), which are unsecured, interest bearing from 1.75% to 4.44% (2017: 1.75% to 4.60%) per annum and repayable within one year.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2017: zero times) as the Group retained a net cash balance of RMB1,731,164,000 (2017: RMB764,582,000). The rise in net cash balance was mainly attributable to an increase in the amount of advance payments received from customers. The Group's interest coverage was 16.1 times for the year (2017: 9.7 times), which represents an improvement that was mainly due to a higher operating profit and a lower interest expense comparing with the previous year. Certainly, the Group's profit from operation and strong operating cash flow demonstrate that the Group is fully capable of meeting its interest expense commitments.

During 2018, net cash generated from operating activities amounted to RMB1,589,896,000 (2017: RMB851,647,000). The Group drew bank loans and loans from related parties totaling RMB1,480,216,000 (2017: RMB795,865,000) and repaid RMB1,820,139,000 (2017: RMB1,697,225,000). In addition, cash proceeds from the issuance of ordinary shares on exercise of share options and on the adoption of the restricted share award scheme during 2018 were RMB21,446,000 (2017: RMB15,466,000) and RMB142,863,000 (2017: Nil) respectively. In 2018, a final dividend of approximately RMB131,486,000 (2017: No dividend was paid for the financial year of 2016) was paid for the financial year of 2017.

	2018 RMB'000	2017 RMB'000 (Restated)
Net cash (used in)/ generated from		
– Operating activities	**1,589,896**	851,647
– Investing activities	**(611,396)**	(507,354)
– Financing activities	**(350,466)**	(971,229)
Total	**628,034**	(626,936)

Assets and Liabilities

At 31 December 2018, total assets of the Group amounted to RMB15,853,354,000 (2017: RMB14,176,233,000) while total liabilities were RMB9,307,560,000 (2017: RMB8,306,454,000). The net asset value rose by 11.5% to RMB6,545,794,000 (2017: RMB5,869,779,000) which was mainly attributable to net profit RMB782,450,000, and capital contribution from both exercise of option of RMB21,446,000 and the restricted share award scheme of RMB142,863,000, which were partially offset by exchange difference on translation of financial statements denominated in foreign currencies of RMB38,689,000 for the year. As a result, the net asset value per share increased from RMB3.022 at 31 December 2017 to RMB3.278 at 31 December 2018.

Contingencies

CIMC Enric Investment Holdings (Shenzhen) Ltd. ("EIHL") received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court in December 2018, where SOEG PTE LTD ("SOEG") claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in SOE from SOEG in 2015. EIHL has filed an objection to jurisdiction and the time for first instance has not yet been determined. After considering the current status of the litigation and opinion from independent legal counsels, the Directors of the Company were of the view that no provision was necessary for the litigation claims as at 31 December 2018.

Future Plans for Source of Funding and Capital Commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to some extent by loans from banks and related parties. At the same time, the Group will continuously take particular caution on the inventory level and credit policy, as well as further strengthening its receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement.

At 31 December 2018, the Group had contracted but not provided for capital commitments of RMB93,485,000 (2017: RMB52,649,000). As of 31 December 2018, the Group did not have any authorised but not contracted for capital commitments (2017: Nil).

Foreign Exchange Exposure

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

Directors

Mr. Gao Xiang

Chairman and Executive Director and chairman of Nomination Committee

Mr. Gao, aged 54, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009 and was re-designated to be the Chairman of the Board from the General Manger in April 2015. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was an assistant to the president of CIMC from 2004 to 2008, was a vice president of CIMC from 2015, and promoted to executive vice president in May 2018. He also holds directorships in certain subsidiaries of CIMC and subsidiaries of the Company.

Mr. Yang Xiaohu

General Manager and Executive Director

Mr. Yang, aged 44, was appointed as executive Director and general manager on 27 October 2017. He graduated in Huazhong University of Science and Technology (華中科技大學), majoring in vessel and marine engineering. Mr. Yang joined CIMC as an officer of the quality control department of Shanghai CIMC Reefer Containers Co., Ltd. from 1997 to 1999, and was a sales manager of CIMC Group's container operation department from 2000 to 2009. He was a deputy general manager of the Company's sales and marketing department from April 2009 to April 2012, was an assistant to general manager of the Company from May 2012 to March 2015 and was general manager of Nantong CIMC Tank Equipment Co., Ltd., (南通中集罐式儲運設備製造有限公司) a wholly-owned subsidiary of the Company from April 2015 to January 2018. Mr. Yang was a deputy general manager of the Company from April 2015 to October 2017. He holds directorships in certain subsidiaries of the Company.

Mr. Yu Yuqun

Non-executive Director

Mr. Yu, aged 53, joined the Group as an Executive Director in September 2007 and was re-designated to be a Non-executive Director on 5 September 2016. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu worked in the State Bureau of Commodity Price (國家物價局) of the PRC before joining CIMC in 1992. He is currently the vice president and company secretary of CIMC, responsible for investor relations, shareholder relations and financing management. Mr. Yu was a non-executive director of TSC Group Holdings Limited (formerly known as TSC Offshore Group Limited, shares of which are listed on the Main Board of the Stock Exchange) from 2011 to 2016. He is currently a Non-executive Director of CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited, shares of which are listed on the Main Board of the Stock Exchange), Pteris Global Limited, and Chairman of Shenzhen Sky Capital Ltd. (深圳天億投資有限公司). Mr. Yu is also a member of the Appellate Council Review Committee of the Shenzhen Stock Exchange. He holds directorships in certain subsidiaries of the Company.

Mr. Wang Yu

Non-executive Director

Mr. Wang Yu, aged 46, was appointed as a Non-executive Director on 5 September 2016. He graduated from Dalian Maritime University with Bachelor of Engineering (Transportation Management) in 1993 and Master of Laws (International Economic Law) in 1996. He worked in the legal affair department of China Ocean Shipping (Group) Company from 1996 to 2000 and America International Data Group's branch in China (美國國際數據集團(中國)公司) from 2001 to 2002. Mr. Wang Yu joined CIMC in 2003, and has been the general manager of the legal department of CIMC since 2007. He holds a number of directorships in certain subsidiaries of CIMC. Mr. Wang was admitted as a lawyer in the People's Republic of China in 1997 and is currently a non-practising lawyer. Mr. Wang Yu is also an arbitrator of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) (also known as Shenzhen Court of International Arbitration深圳國際仲裁院) and China International Economic and Trade Arbitration Commission.

Mr. Zeng Han

Non-executive Director and a member of Remuneration Committee

Mr. Zeng, aged 43, was appointed as a Non-executive Director on 18 May 2018. He graduated from Hangzhou Institute of Electronic Engineering with a bachelor's degree in July 1996, and later graduated from Jiangsu University of Science and Technology with a master's degree in management in June 1999. He joined CIMC in 1999 and has successively served as manager of the accounting division of the financial management department, assistant to the general manager, deputy general manager and executive general manager of financial management department. Mr. Zeng is currently the general manager of the financial management department and the chairman of the financial informationization decision-making committee of CIMC. He also held a concurrent post as manager of the financial department of the Company from 2009 to 2010. Mr. Zeng is a certified public accountant in China. He holds directorships in certain subsidiaries of CIMC and the Company.

Ms. Yien Yu Yu, Catherine

Independent Non-executive Director and chairperson of Audit Committee

Ms. Yien, aged 48, was appointed as an Independent Non-executive Director on 15 October 2018. She graduated from the Imperial College of Science, Technology and Medicine of University of London in England with a Joint Honours Degree in Mathematics with Management (BSc Hons). Ms. Yien was an independent non-executive director of ENN Energy Holdings Limited (shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited) from September 2004 to May 2016, and has been re-appointed as an independent non-executive director of ENN Energy Holdings Limited on 30 November 2018. She is currently a managing director of Rothschild (Hong Kong) Limited, and a member of the Listing Committee of The Stock Exchange of Hong Kong Limited since July 2015. Ms. Yien is a Chartered Financial Analyst and an ordinary member of the Hong Kong Securities Institute. She has extensive experience in the areas of corporate finance, capital markets, and mergers and acquisitions.

Mr. Tsui Kei Pang

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

Mr. Tsui, aged 58, joined the Group as an Independent Non-executive Director since November 2009. He obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui retired from Gallant in November 2018. He is currently a lawyer of Tsang, Chan & Wong Solicitors & Noraries and specialises in Hong Kong and China cross-border commercial legal services. He is also a member of the Greater China Legal Affairs Committee of The Law Society of Hong Kong and an honorary legal adviser of The Hong Kong Real Estate Association as well as a member of China Committee of Hong Kong General Chamber of Commerce. Mr. Tsui was an independent non-executive director of China Huishan Dairy Holdings Company Limited (shares of which are listed on the Main Board of the Stock Exchange) from September 2013 to March 2017.

Mr. Zhang Xueqian

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

Mr. Zhang, aged 69, joined the Group as an Independent Non-executive Director since September 2010. He received a PhD degree in accounting from Xi'an Jiaotong University (西安交通大學) and a master's degree in economics from Wuhan University (武漢大學). He is a registered accountant in the PRC. Presently, Mr. Zhang is a professor of the Business School of University of International Business and Economics (對外經濟貿易大學國際商學院) in the PRC, and was a former associate dean of the school. He was also a senior member of the Chinese Society of Technology and Economics (中國技術經濟研究會) and a researcher of Beijing Asia-Pacific Research Center of China Financial Accounting (北京亞太華夏財務會計研究中心). Mr. Zhang possesses strong academic background in accounting and finance.

Mr. Wang Caiyong

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

Mr. Wang Caiyong, aged 67, was appointed as an Independent Non-executive Director on October 2018. He graduated from Fudan University (復旦大學), majoring in finance (correspondence course) in 1996 and completed the postgraduate study in finance at Beijing Technology and Business University in 2002. He is a registered accountant in the People's Republic of China (senior accountant). Mr. Wang Caiyong was the deputy chief of the financial department of Dalian Maritime University from 1994 to 1995. Mr. Wang Caiyong joined the head office of China Ocean Shipping (Group) Company (now known as China Cosco Shipping Corporation Limited) in 1995 and served as deputy general manager of supervisory department and head of auditing department; served as chief accountant of the head office of China Ocean Shipping Agency from 2000 to 2001; and served as chief accountant of Cosco Dalian Ocean Shipping Company from 2002, and retired in 2011. He was seconded to the supervisory board of the State Council from December 2001 for one year. Mr. Wang Caiyong was also the deputy general secretary of China Institute of Internal Audit Transportation Branch from September 2011 to October 2014. He is currently the managing director of China Institute of Internal Audit and president of China Institute of Internal Audit Transportation Branch. Mr. Wang has won the 2006 China Excellent CFO Award.

Senior Management

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, aged 51, was appointed as a deputy general manager of the Company in May 2012, and also have served as chief officer of science and technology management department of the Company since January 2018. She has a senior engineering title and received a master's degree in business administration from Guanghua School of Management of Peking University (北京大學光華管理學院). Ms. Yang held various management positions in a subsidiary of XinAo Gas Holdings Limited (now known as ENN Energy Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange) from 2002 to 2005, and then joined the Group in March 2005. She was the general manager of Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司), a wholly-owned subsidiary of the Company from January 2010 to December 2016.

Mr. Shi Caixing

Deputy General Manager

Mr. Shi, aged 55, was appointed as a deputy general manager of the Company in May 2012. He graduated from a master's course at the School of Economics of the Peking University (北京大學經濟學院) and is a senior economist. Mr. Shi was an executive director of the Company from September 2007 to September 2009. Prior to joining the Group, he was an executive vice general manager of Zhangjiagang Sanctum Chemical Machinery Co., Ltd. (張家港市聖達因化工機械有限公司) from 1999 to 2004. Mr. Shi was the general manager of Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. (張家港中集聖達因低溫裝備有限公司), a wholly-owned subsidiary of the Company from September 2004 to December 2015.

Mr. Gao Wenbao

Deputy General Manager

Mr. Gao, aged 44, was appointed as a deputy general manager of the Company in January 2016. He graduated in Jilin University of Technology (吉林工業大學), majoring in machinery enterprise management. Mr. Gao worked first in the enterprise management department of Tianjin Xiali Automobile Engine Plant and then in the general manager's office in Tianjin Xiali Automobile Holdings Limited from August 1995 to September 2008, and was a manager of the enterprise management department, a manager of the human resources department and an assistant to general manager of Tianjin CIMC North Ocean Container Co., Ltd. from October 2000 to September 2009. He joined the Company in October 2009, and was a manager of the Company's enterprise management department and an assistant to general manager of the Company, have also served as the general manager of Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd (南通中集太平洋海洋工程有限公司), a wholly-owned subsidiary of the Company since 2017, and as the general manager of marine gas business center since 2018.

Mr. Huo Lating

Deputy General Manager

Mr. Huo, aged 54, was appointed as a deputy general manager of the Company in January 2016. He obtained a master's degree in accounting and financial management from Tianjin University of Finance (天津財經學院), and is a senior accountant. Mr. Huo worked in the supply and marketing cooperatives of Shijiazhuang from 1981 to 1995, was the general manager of Hebei Weiyuan Corporation from 1995 to 2003, and was an assistant to general manager of Hebei XinAo Gas Group from 2003 to 2007. He was an assistant to general manager of the Company from June 2007 to June 2008. Mr. Huo was the general manager of Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd., (荊門宏圖特種飛行器製造有限公司), a wholly-owned subsidiary of the Company from September 2008 to March 2017.

Mr. Ko Brink

Deputy General Manager

Mr. Ko Brink, aged 52, was appointed as a deputy general manager of the Company in January 2019. He obtained a master's degree in Business Administration of the University of Groningen in the Netherlands. Mr. Ko Brink joined CIMC Group in 2007, joined the Company in 2009, and served as CEO of CIMC Enric Tank and Process B.V., a wholly-owned subsidiary of the Company in the Netherlands. He was appointed as CEO of Ziemann Holvrieka GmbH, a wholly-owned subsidiary of the Company in Germany. Mr. Ko Brink has over 15 years of experience in international capital goods market, and has extensive work experience in the US, Canada and the UK. He holds directorships in certain subsidiaries of the Company.

Mr. Cheong Siu Fai

Financial Controller and Company Secretary

Mr. Cheong, aged 47, is responsible for financial reporting, financial management, corporate finance and implementation of corporate governance practices of the Company. He obtained a bachelor's degree in business administration from Thames Valley University, the United Kingdom. Mr. Cheong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of International Accountants in the United Kingdom. Prior to joining the Group in December 2004, Mr. Cheong worked for an international certified public accountants firm and has many years of experience in audit, financial reporting, financial management and corporate finance.

CORPORATE GOVERNANCE REPORT

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

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

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

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

Throughout the year ended 31 December 2018, the Company complied with all the code provisions of the CG Code.

Board of Directors

The board

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

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

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

The Board meets regularly to keep abreast of the business and operational performance of the Group. In 2018 and up to the date of this report, the Board, amongst others:

- reviewed the performance and formulated business strategies of the Group;
- reviewed and approved financial statements of the Group for the two years ended 31 December 2017 and 2018, and for the six months ended 30 June 2018 respectively;
- reviewed the effectiveness of risk management and internal control systems taken by the Group;
- reviewed and determined the remuneration packages of all Directors;
- reviewed the structure, size and composition of the Board;
- approved the connected transaction contemplated under capital increase agreement entered into among the wholly-owned subsidiary of the Company and CIMC Financial Leasing (Hong Kong) Limited (中集融資租賃(香港)有限公司), CIMC Container Holdings Co., Ltd. (中集集團集裝箱控股有限公司) in relation to increase the registered share capital of CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. (中集前海融資租賃(深圳)有限公司);

Board of Directors *(Continued)*

The board *(Continued)*

- approved the connected transaction contemplated under equity transfer agreement entered into between an indirect wholly-owned subsidiary and Shenzhen Shouth CIMC Logistics Co., LTD (深圳南方中集物流有限公司) acquisition of the entire equity interests of Nantong Yongxin Logistics Co., (南通永信物流有限公司);

- approved the appointment of Mr. Zeng Han as a Non-executive Director and a member of remuneration committee with effect from 18 May 2018;

- approved the revision of annual caps for continuing connected transactions contemplated under the financial services framework agreement (2017);

- approved the adoption of Restricted Share Award Scheme (2018) and issue of new shares to a total of 50,000,000 Restricted Shares to not more than 500 selected participants;

- approved connected transaction contemplated under capital increase agreement entered into among a wholly-owned subsidiary of the Company, Shenzhen CIMC Investment Co., Ltd. (深圳中集投資有限公司), CIMC Technology Co., Ltd. (中集技術有限公司), CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司), CIMC–TianDa Holdings (Shenzhen) Limited Company (中集天達控股(深圳)有限公司) and Shenzhen Qili Corporate Management partnership (Limited Partnership) (深圳齊力企業管理合夥企業(有限合夥)) in relation to increase the registered share capital of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd (深圳中集同創供應鏈有限公司);

- approved connected transactions contemplated under capital increase agreement entered into among the wholly-owned subsidiary of the Company, CIMC, Shenzhen Southern CIMC Container Manufacturing Co., Ltd. (深圳南方中集集装箱制造有限公司), Shenzhen CIMC-Tianda Airport Support Ltd. (深圳中集天達空港設備有限公司) and CIMC Modern Logistics Development Co., Ltd. (中集現代物流發展有限公司) in relation to increase the registered share capital of CIMC Finance Company Limited (中集集團財務有限公司);

- approved the cessation of Mr. Jin Yongsheng as a Non-executive Director with effect from 29 September 2018, and the appointment of Mr. Wang Caiyong as an Independent non-executive Director with effect from 1 October 2018;

- Approved the resignation of Mr. Wong Chun Ho as an Independent Non-executive Director, and ceased to be the chairman of the Audit Committee and a member of Nomination Committee, and appointment Ms. Yien Yu Yu Catherine as an Independent non-executive Director and chairman of Audit Committee and Mr. Wang Caiyong as a member of nomination committee; and

- Approved the publication of voluntary announcement in relation to the litigation.

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

Board of Directors *(Continued)*

The board *(Continued)*

In 2018 and up to the date of this Report, the Board, among others, performed the following corporate governance functions:

- reviewed the disclosure in the Corporate Governance Reports set out in the Company's Annual Reports for 2017 and 2018 respectively.

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

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

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

The Chairman of the Company had met with Non-executive Directors (including Independent Non-executive Directors) from time to time without the Executive Directors present during the year 2018.

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

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

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

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

Board of Directors *(Continued)*

Chairman and general manager

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

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

Board composition

The Board consists of nine members of which four are Independent Non-executive Directors which constitutes more than one-third of the Board, bringing in a sufficient independent voice. The other members are two Executive Directors and three Non-executive Directors.

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

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

The Board members come from a wide range of professional and educational backgrounds, including legal, accounting and corporate finance, economics, academic, management and industry expertise. It brings a diverse and balance set of skills and experience to the Board, contributing to the effective direction of the Group. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 31 to 34 and on the Company's website.

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

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

Board of Directors *(Continued)*

Responsibilities of directors

The Directors shall take decisions objectively in the best interests of the Group as a whole. They meet regularly to keep abreast of its conduct, business activities, operational performance and latest development. Details of Director's attendance at Board and Board Committee meetings and general meetings held in 2018 and in 2019 (up to the date of this report) are set out in the paragraph headed "Director's attendance" in this section.

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

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

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. All Directors have disclosed to the Company, upon their appointment, and in a timely manner for any change, their offices held in public companies or organisations and other significant commitments (if any). Information of Directors' office in other companies which is of significant nature is set out on pages 31 to 33 and on the Company's website.

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

Each Director is required to confirm with the Company in writing, twice a year, that he has complied with the Model Code. All the Directors have confirmed that they complied with the required standards thereof throughout the year ended 31 December 2018.

Board of Directors *(Continued)*

Director's attendance

	No. of meetings attended during 2018				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meetings
Executive Directors					
Mr. Gao Xiang *(Chairman)*	6/7	–	–	3/3	2/2
Mr. Yang Xiaohu *(General Manager)*	7/7	–	–	–	–
Non-executive Directors					
Mr. Yu Yuqun	5/7	–	–	–	0/2
Mr. Wang Yu	7/7	–	–	–	0/2
Mr. Zeng Han (note 1)	3/4	–	1/1	–	0/1
Mr. Jin Jianlong (note 1)	3/3	–	2/2	–	0/2
Mr. Jin Yongsheng (note 2)	6/6	–	–	–	0/2
Independent Non-executive Directors					
Ms. Yien Yu Yu, Catherine (note 3)	1/1	–	–	–	–
Mr. Tsui Kei Pang	7/7	4/4	3/3	–	2/2
Mr. Zhang Xueqian	7/7	4/4	3/3	3/3	0/2
Mr. Wang Caiyong (notes 2 & 3)	1/1	–	–	–	–
Mr. Wong Chun Ho (note 3)	6/6	4/4	–	3/3	1/2

Notes:

Note 1: With effective from 18 May 2018, Mr. Jin Jianlong retired as a Non-executive Director, and Mr. Zeng Han has been appointed as a Non-executive Director.

Note 2: With effective from 29 September 2018, Mr. Jin Yongsheng ceased as a Non-executive Director, and with effect from 1 October 2018, Mr. Wang Caiyong has been appointed as an Independent non-executive Director.

Note 3: With effective from 15 October 2018, Mr. Wong Chun Ho resigned as an Independent non-executive Director and Ms. Yien Yu Yu, Catherine has been appointed as an Independent non-executive Director.

Board of Directors *(Continued)*

Director's attendance *(Continued)*

		No. of meetings attended during 1 January 2019 to the date of this report			
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meetings
Executive Directors					
Mr. Gao Xiang *(Chairman)*	2/2	–	–	1/1	–
Mr. Yang Xiaohu *(General Manager)*	2/2	–	–	–	–
Non-executive Directors					
Mr. Yu Yuqun	2/2	–	–	–	–
Mr. Wang Yu	1/2	–	1/1	–	–
Mr. Zeng Han	2/2	–	–	–	–
Independent Non-executive Directors					
Ms. Yien Yu Yu, Catherine	2/2	2/2	–	–	–
Mr. Tsui Kei Pang	2/2	2/2	1/1	–	–
Mr. Zhang Xueqian	2/2	2/2	1/1	1/1	–
Mr. Wang Caiyong	2/2	2/2	–	1/1	–

Directors' training and professional development

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

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

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

In 2018 and up to the date of this Report, the Company organised one seminar for the Directors relating to key requirements of the listing rules for corporate governance. Nine Directors, namely Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Wang Yu, Mr. Zeng Han, Ms Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Zhang Xueqian and Mr. Wang Caiyong attended the seminar in person. Due to their own professional capacities, individual Directors also participated in other training relating to the roles, functions and duties as a director of a listed company or further enhancement of their professional development. All the Directors had provided their training records for the year ended 31 December 2018 to the Company.

Appointments and Resignations of Directors

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

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

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

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

Nomination Policy

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

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

Board Diversity Policy

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

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

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

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

Remuneration of Directors and Senior Management

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

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

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

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

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

Details of Directors' remuneration for the two years ended 31 December 2018 and 2017 respectively are listed out in note 11 to the financial statements.

The remuneration payable to the members of senior management of the Company fell within the following bands for the year 2018:

	Number of individuals
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	2
HKD2,000,001 to HKD2,500,000	2
HKD10,000,001 to HKD10,500,000	1

Delegation by the Board

Management functions

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

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

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

Delegation by the Board *(Continued)*

Board Committees

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

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

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

Audit Committee

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

- to oversee the relationship with the external auditor, including:
  - (i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any questions of its resignation or dismissal;
  - (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
  - (iii) developing and implementing policy on engaging the external auditor to supply non-audit services;
- to monitor the integrity of financial statements and reports of the Group and to review significant financial reporting judgements contained therein;
- to review the effectiveness of the Group's financial reporting system, risk management and internal control systems; and
- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee *(Continued)*

The committee meets the external auditor and senior management of the Company regularly. During 2018, the Audit Committee reviewed, amongst others:

- the remuneration and terms of engagement of the external auditor for the year ended 31 December 2018;
- the effectiveness of the financial reporting procedures and risk management and internal control systems of the Group for each of the year ended 31 December 2017 and the six months ended 30 June 2018, and made recommendations to the Board;
- the integrity of the Group's annual accounts for the year ended 31 December 2017, and the interim results for the six months ended 30 June 2018 with the external auditor;
- the continuing connected transactions of the Group during 2018 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- the compliance and enforcement of the deed of non-compete undertakings dated 1 June 2009 (the "Deed of Non-compete Undertakings" or the "Deed") made by CIMC in favour of the Company which was subject to annual review by the Independent Non-executive Directors thereunder;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- the nature and scope of audit and reporting obligations of external auditor;
- the policy for provision of non-audit services by external auditor;
- the external auditor's management letters and the management's response thereto; and
- the effectiveness of risk management and internal control systems of the Group for 2018.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee *(Continued)*

In 2018 and up to the date of this Report, the Company engaged PricewaterhouseCoopers as the external auditor of the Group. PricewaterhouseCoopers provided audit and audit related services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Nature of service	Fees RMB'000
Review of the Group's financial statements for the six months ended 30 June 2018	709
Audit of the Group's financial statements and report on the continuing connected transactions for the year ended 31 December 2018	5,386
Other audit services in relation to an acquisition	656
Financial services for potential acquisitions	420
TOTAL	7,171

Save as disclosed above, the Group did not engage PricewaterhouseCoopers for any other services during 2018 and up to the date of this report.

Remuneration Committee

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

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

In 2018, the Remuneration Committee had, amongst others, having consulted the Chairman of the Board, considered, reviewed and made recommendations to the Board on the remuneration packages of the Directors appointed, and re-appointed during 2018 and the other Directors (except the members of the Remuneration Committee).

Nomination Committee

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

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

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Nomination Committee *(Continued)*

In 2018, the Nomination Committee had, amongst others:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- considered the need for identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of Independent Non-executive Directors;
- reported to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular for the chairman of the Board and the General Manager;
- considered the appointment of Mr. Zeng Han as a Non-executive Director and a member of Remuneration Committee with effect from 15 May 2018, the appointment of Mr. Wang Caiyong as an Independent Non-executive Director and a member of Nomination Committee with effect from 1 October 2018 and 15 October 2018 respectively, and the appointment of Ms. Yien Yu Yu Catherine as an Independent Non-executive Director and chairman of the Audit Committee with effect from 15 October 2018;
- reviewed the re-appointment of Directors whose terms of office were subject to renewal during 2018, and made recommendation to the Board.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, Mr. Cheong Siu Fai, who is also the Financial Controller of the Company. The Company Secretary reports to the Chairman and/or the General Manager on corporate governance matters, and is responsible for ensuring that Board procedures are followed, facilitating communications among Directors as well as with shareholders and management.

The Company Secretary's biography is set out on page 34 under the section headed "Directors and Senior Management" and on the Company's website. During 2018, the Company Secretary undertook over 15 hours of relevant professional training.

Accountability and Audit

Financial reporting

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

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

Accountability and Audit *(Continued)*

Financial reporting *(Continued)*

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

The annual and interim results of the Group are announced in a timely manner within three months and two months respectively after the end of the respective financial periods. The integrity of the financial statements is monitored by the Audit Committee. A statement of Directors' responsibility for financial statements is set out in the Directors' Report on page 54. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 73.

Risk management and Internal controls

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

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

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

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

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

Accountability and Audit *(Continued)*

Risk management and Internal controls *(Continued)*

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

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

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

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

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

Non-compete Undertakings

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

CIMC has given to the Company a letter of annual declaration where it declared, to the best of the knowledge of its board of directors and management, that it had been in compliance with all the non-competition undertakings and all other provisions set out in the Deed throughout the year ended 31 December 2018.

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

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

Communication with Shareholders

Effective communication

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

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

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

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

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

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

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

Shareholders' rights

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

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

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

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

Shareholders' rights *(Continued)*

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

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

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

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

General meetings held in 2018

In 2018, the Company held two general meetings, being one AGM and one Extraordinary General Meeting ("EGM").

The AGM was held on 18 May 2018 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Seven resolutions were proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. The major resolutions considered and approved included:

- receiving and considering the audited consolidated financial statements, directors' report and independent auditor's report for the year ended 31 December 2017;
- declaration of a final dividend in respect of year 2017 of HKD0.08 per share;
- re-election of the retiring Directors and authorising the Board to fix the remuneration of Directors;
- re-appointment of auditor and authorising the Board to fix the remuneration of auditor; and
- granting of general mandates to issue shares and to repurchase shares.

Full text of the above resolutions is set out in the notice of AGM of the Company dated 13 April 2018. The poll results of the AGM have been published on the websites of the Stock Exchange and the Company.

Communication with Shareholders *(Continued)*

Effective communication *(Continued)*

General meetings held in 2018 *(Continued)*

The EGM was held on 10 August 2018 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Two resolutions were proposed in the meeting and more than 50% of votes were cast in favour of all the resolutions. The proposed resolutions were therefore passed as ordinary resolutions of the Company. The major resolutions considered and approved included:

- approving 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 (out of which an aggregate of a maximum number of 15,570,000 Connected Restricted Shares to Connected Selected Participants and an aggregate of maximum number of 34,430,000 other Restricted Shares to other Selected Participants) to the Trust to hold on trust for selected participants for participation in the Restricted Share Award Scheme (2018); and

- re-election of Mr. Zeng Han as Director.

Full text of the above resolutions is set out in the notice of EGM of the Company dated 25 July 2018. The poll results of the EGM have been published on the websites of the Stock Exchange and the Company.

Investor relations contacts

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

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

The latest investor relations information is available at the Company's investor relations portal at www.irasia.com/listco/hk/enric.

Changes of the Memorandum and Articles of Association

During the year ended 31 December 2018, no amendments were made to the Company's memorandum and articles of association. The latest consolidated version of the Company's memorandum and articles of association has been published on the websites of the Stock Exchange and the Company.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 21 March 2019

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2018.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

The principal activities of the Group are the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used for the energy, chemical and liquid food industries. Particulars of the Company's principal subsidiaries are set out in note 23 to the financial statements. A business review and further discussion and analysis of the principal activities can be found in "Chairman's Statement" and "Management Discussion and Analysis" sections of this Annual Report, which forms part of this directors' report.

Key financial and business performance indicators

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

The Group's total assets have increased in 2018 to RMB15,853,354,000 (2017: RMB14,176,233,000) mainly due to increase in cash and cash equivalent from drawdown of loans during the year.

Revenue rose by 21.9% to RMB13,051,651,000 (2017: RMB10,706,590,000) which shows the Group's revenue generating ability improved due to favourable market condition.

Profit attributable to equity shareholders is RMB785,502,000 (2017: RMB420,077,000) indicates value was added to equity shareholders of the Company during the year.

Return on equity raise by 5.3 percentage points to 13.0% (2017: 7.7%) which indicates a more efficient use of equity to generate profit.

Gearing ratio decreased from 25.5% in 2017 to 18.3% in 2018 mainly because of increase in assets and decrease in loans during the year.

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

Compliance with laws and regulations

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

Principal Activities and Business Review *(Continued)*

Principal risks and uncertainties

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

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

Environmental policies and performance

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

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

Environmental, Social and Governance Report will be reported separately from this report and will be published within three months after the publication of this report.

Relationships with key stakeholders

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

Employees

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

Customers

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

Principal Activities and Business Review *(Continued)*

Suppliers

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

Regulators

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

Shareholders

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

Financial Statements

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

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

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

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

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

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at such date are set out in the financial statements on pages 78 to 85.

Dividends and Reserves

The Board is pleased to propose a final dividend in respect of 2018 of HKD0.14 per ordinary share (the "2018 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on Monday, 20 May 2019.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 48 to the financial statements and the consolidated statement of changes in equity.

Dividend Policy

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

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

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2018 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	8.1%	–
Five largest customers in aggregate	22.0%	–
The largest supplier	–	14.7%
Five largest suppliers in aggregate	–	23.4%

Notes:

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 16 to the financial statements.

Retirement Schemes

The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. In Europe, the Group operates various qualified defined benefit pension plans which are funded through payments to insurance companies. Particulars of retirement benefits are set out in note 42 to the financial statements.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB912,000 (2017: RMB262,000).

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 41 to the financial statements.

Share Issued

During the year, the Company has issued shares as a result of the exercise of share options under the share option scheme of the Company, a total of 8,134,000 shares of the Company, fully paid, were issued for a total consideration of RMB25,361,000.

Details of the shares issued during the year are set out in note 41 to the financial statements.

Equity-linked Agreements

Save for the share option scheme and the restricted share award scheme of the Company as set out on pages 61 to 66, no equity-linked agreements were entered into by the Group, or existed during the year.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2018 are set out in note 32 to the financial statements.

Financial Summary

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

Directors

At the date of this report, the Board comprised:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Directors *(Continued)*

Reference is made to the announcements of the Company dated 1 October 2018 and 15 October 2018 respectively, where it had announced that, *inter alia*, Mr. Jin Yongsheng was ceased as a non-executive Director with effect from 29 September 2018 and Mr. Wang Caiyong was appointed as an Independent non-executive Director with effect from 1 October 2018, Mr. Wong Chun Ho was resigned as an Independent non-executive Director and Ms. Yien Yu Yu, Catherine was appointed as an Independent non-executive Director of the Company with effect from 15 October 2018. Pursuant to code A.4.2 of the CG Code and article 86(3) of the Articles, Mr. Wang Caiyong and Ms. Yien Yu Yu, Catherine will be subject to re-election at the forthcoming AGM.

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

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Interests in underlying shares pursuant to share options and the restricted share award scheme	% of issued share capital (Note)
Gao Xiang	Beneficial owner	2,900,000	0.15%
Yang Xiaohu	Beneficial owner	1,964,000	0.10%
Yu Yuqun	Beneficial owner	1,698,000	0.09%
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 percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2018, which was 1,996,998,588.

Directors' Interests in Shares *(Continued)*

Long positions in the shares of associated corporations

Associated corporation	Name of Director	Capacity	Number of shares/ underlying shares held	Shareholding %
CIMC (A Shares)	Gao Xiang	Beneficial owner (Note 1)	375,000	0.03% (Note 2)
	Yu Yuqun	Beneficial owner (Note 1)	750,000	0.06% (Note 2)
	Wang Yu	Beneficial owner (Note 1)	250,000	0.02% (Note 2)
	Zeng Han	Beneficial owner (Note 1)	288,750	0.02% (Note 2)

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 RMB10.49 per share, and 75% of which are exercisable between 28 September 2014 and 27 September 2020.

2. The percentage is calculated based on the total number of share capital of CIMC (A Shares) in issue as at 31 December 2018, which was 1,268,412,327.

Save as disclosed above, as at 31 December 2018, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, no person had any rights to subscribe for equity or debt securities of the Company as at 31 December 2018, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2018, 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)	68.65%
CIMC HK	Beneficial owner	1,180,313,211	59.10%
	Interest of controlled corporation	190,703,000 (Note 3)	9.55%
Charm Wise	Beneficial owner	190,703,000 (Note 3)	9.55%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2018, which was 1,996,998,588.

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

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

Save as disclosed above, as at 31 December 2018, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Options

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

On 11 November 2009, the Company granted share options to certain eligible persons to subscribe for a total of 43,750,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 3,440,000 number of these options were lapsed as at 31 December 2018.

Further, on 28 October 2011, the Company granted share options to certain eligible persons to subscribe for a total of 38,200,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 2,980,000 number of these options were lapsed as at 31 December 2018.

Further, on 5 June 2014, the Company granted share options to certain eligible persons to subscribe for a total of 38,420,000 ordinary shares of HKD0.01 each in the capital of the Company under the Scheme. A total of 4,890,000 number of these options were lapsed as at 31 December 2018.

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

Share Options *(Continued)*

During the year ended 31 December 2018, movements of the options under the Scheme were as follows:

			Number of share options					
Grantee	Date of grant	Exercisable period	outstanding at 1 January 2018	granted during the year	exercised during the year	lapsed during the year	transferred to/ from other category	outstanding at 31 December 2018
Directors								
Gao Xiang	11/11/2009	11/11/2010–10/11/2019	1,000,000	–	–	–	–	1,000,000
	28/10/2011	28/10/2013–27/10/2021	500,000	–	–	–	–	500,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	11/11/2009	11/11/2010–10/11/2019	164,000	–	–	–	–	164,000
	28/10/2011	28/10/2013–27/10/2021	200,000	–	–	–	–	200,000
	05/06/2014	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Jin Jianlong (retired on 18 May 2018)	11/11/2009	11/11/2010–10/11/2019	800,000	–	–	–	(800,000)	–
	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)	–
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 (appointed on 18 May 2018)	11/11/2009	11/11/2010–10/11/2019	–	–	–	–	250,000	250,000
Jin Yongsheng (cessation on 29 September 2018)	11/11/2009	11/11/2010–10/11/2019	500,000	–	(500,000)	–	–	–
	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)	–
Wong Chun Ho (resigned on 15 October 2018)	11/11/2009	11/11/2010–10/11/2019	500,000	–	(500,000)	–	–	–
	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)	–
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
			8,762,000	–	(1,600,000)	–	(1,750,000)	5,412,000
Employees	11/11/2009	11/11/2010–10/11/2019	8,176,000	–	(1,834,000)	–	(250,000)	6,092,000
	28/10/2011	28/10/2013–27/10/2021	18,868,000	–	(3,932,000)	–	–	14,936,000
	05/06/2014	05/06/2016–04/06/2024	27,870,000	–	–	(940,000)	–	26,930,000
Other participants	11/11/2009	11/11/2010–10/11/2019	6,330,000	–	(580,000)	–	800,000	6,550,000
	28/10/2011	28/10/2013–27/10/2021	1,618,000	–	(188,000))	–	300,000	1,730,000
	05/06/2014	05/06/2016–04/06/2024	4,750,000	–	–	(750,000)	900,000	4,900,000
Total			76,374,000	–	(8,134,000)	(1,690,000)	–	66,550,000

Share Options *(Continued)*

Notes:

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

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

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 year ended 31 December 2018 was HKD8.29 per share.

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

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

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

Share Options *(Continued)*

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

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

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

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

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

As at the date of this report, 193,660,608 number of options, representing approximately 9.70% of the issued ordinary share capital of the Company are available for grant under the New Scheme.

As at the date of this report, a total number of 260,210,608 Shares representing 13.03% of the issued share capital of the Company, are available for grant under the Scheme and New Scheme.

Saved as disclosed above, no options were granted, exercised, lapsed or cancelled for the year ended 31 December 2018.

RESTRICTED SHARE AWARD SCHEME (2018)

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

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

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

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

RESTRICTED SHARE AWARD SCHEME (2018) *(Continued)*

As at 31 December 2018, there were a total of 340,000,000 Restricted Shares have been allotted to the Directors of the Company, details of which are as follows:

		Number of Restricted Shares				
Name of Directors	Date of grant	As at 1 January 2018	granted during the year	Vested during the year	As at 31 December 2018	Vesting Period
Gao Xiang	24 August 2018	–	1,000,000	–	1,000,000	26 June 2018 to 25 June 2022
Yang Xiaohu	24 August 2018	–	1,200,000	–	1,200,000	26 June 2018 to 25 June 2022
Yu Yuqun	24 August 2018	–	400,000	–	400,000	26 June 2018 to 25 June 2022
Wang Yu	24 August 2018	–	400,000	–	400,000	26 June 2018 to 25 June 2022
Zeng Han	24 August 2018	–	400,000	–	400,000	26 June 2018 to 25 June 2022
Total		–	3,400,000	–	3,400,000	

Directors' Interests in Competing Business

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

Permitted Indemnity Provision

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

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

Management Contracts

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

Litigation

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

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

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

The case has been accepted by the Jiangsu Province High People's Court (江蘇省高級人民法院), and Enric Shenzhen has filed an objection to the jurisdiction to the Jiangsu Province High People's Court (江蘇省高級人民法院). The time for first instance has not yet been determined.

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

Connected Transactions and Interests in Contracts

Connected transactions and continuing connected transactions subject to annual review

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

On 23 December 2016, the Company entered into Master Sales Agreement (2016) with CIMC under which the Group agreed to sell to the CIMC Group certain products, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the Group's sale to CIMC Group was RMB160,172,000.

On 23 December 2016, the Company entered into Master Services Agreement (2016) with CIMC under which the Group agreed to provide processing services, and other related services to the CIMC Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the service income recognised by the Group was RMB279,000.

Connected Transactions and Interests in Contracts *(Continued)*

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

On 23 December 2016, the Company entered into Master Office Services Agreement (2016) with CIMC, whereby the Group agreed to provide office services to the CIMC Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the office service income recognised by the Group was RMB1,478,000.

On 23 December 2016, the Company entered into Master Processing Agreement (2016) with CIMC, whereby the CIMC Group agreed to provide processing services and other related services to the Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the processing service charge incurred by the Group was RMB21,957,000

On 23 December 2016, the Company entered into Master Procurement Agreement (2016) with CIMC, whereby the Group agreed to procure various spare parts and/or raw materials from the CIMC Group, for a term of three years from 1 January 2017 to 31 December 2019. During the year, the Group's total purchase from CIMC Group was RMB293,225,000.

On 27 April 2017, the Company entered into Financial Services Framework Agreement (2017) with CIMC Finance Company Ltd. (中集集團財務有限公司, a wholly-owned subsidiary of CIMC, "CIMC Finance") as service provider and CIMC as guarantor under which CIMC Finance agreed to provide various financial services to the Group from 27 April 2017 to 31 December 2019. During the year, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB528,210,000, the interest income from deposits recognised by the Group was RMB4,037,000 and the service charge incurred by the Group was RMB10,119,000.

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

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

2. on normal commercial terms or better; and

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

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

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

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

Connected Transactions and Interests in Contracts *(Continued)*

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

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

d. with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements and circular respectively dated 27 December 2016, 25 January 2017, 27 April 2017 and 14 November 2017 made by the Company in respect of each of the disclosed continuing connected transactions.

Note 46 to the financial statements set out the information regarding related party transactions prepared in accordance with the relevant accounting standards and these transactions are also connected transactions under Listing Rules. These transactions complied with requirements of the Listing Rules. Except for the financial statements were prepared applying merger accounting, certain connected transactions under Listing Rules are not related party transactions according to the relevant accounting standards.

Other Connected Transactions

Saved as disclosed above, the Group entered into the following connected transactions during the year:

On 19 April 2018, Enric Shenzhen, a wholly-owned subsidiary of the Company, entered into the capital increase agreement and supplemental agreement with CIMC Financial Leasing (Hong Kong) Limited (中集融資租賃(香港)有限公司, a wholly-owned subsidiary of CIMC), CIMC Container Holding Co., Ltd. (中集集團集裝箱控股有限公司, a wholly-owned subsidiary of CIMC), and Tianjin Jishun Machine Equipment Leasing Ltd (天津吉順機械設備租賃有限公司, a non-wholly owned subsidiary of CIMC), pursuant to which all the parties agreed to increase the registered share capital of CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. (中集前海融資租賃(深圳)有限公司, "CIMC Qianhai"). Enric Shenzhen contributed RMB100,000,000 in cash to CIMC Qianhai, and has held 10% of shareholding of CIMC Qianhai.

On 23 April 2018, Ziemann Holvrieka Asia Co., Ltd. (南通中集安瑞科食品裝備有限公司, a wholly-owned subsidiary of the Company, "purchaser") entered into equity transfer agreement with Shenzhen South CIMC Logistics Co., Ltd (深圳南方中集物流有限公司, a wholly-owned subsidiary of CIMC, "vendor"), pursuant to which the vendor agreed to sell and the purchaser agreed to purchase the entire equity interest of Nantong Yongxin Logistics Co., Ltd (南通永信物流有限公司, currently known as CIMC Nantong Port Development Co., Ltd) for a consideration of RMB3,000,000.

On 20 July 2018, Enric Shenzhen, a wholly-owned subsidiary of the Company, entered into capital increase agreement among Shenzhen CIMC Investment Co., Ltd. (深圳中集投資有限公司, a wholly-owned subsidiary of CIMC), CIMC Technology Co., Ltd. (中集技術有限公司, a wholly-owned subsidiary of CIMC), CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司, a non-wholly owned subsidiary of CIMC), CIMC-TianDa Holdings (Shenzhen) Limited Company (中集天達控股(深圳)有限公司, a wholly-owned subsidiary of CIMC), and Shenzhen Qili Corporate Management Partnership (Limited Partnership) (深圳齊力企業管理合夥企業(有限合夥)), pursuant to which all the parties agreed to increase the registered share capital of Shenzhen CIMC Tongchuang Supply Chain Co., Ltd (深圳中集同創供應鏈有限公司, "Shenzhen CIMC Tongchuang"). Enric Shenzhen contributed RMB20,000,000 in cash to Shenzhen CIMC Tongchuang, and has held 10% of shareholding of Shenzhen CIMC Tongchuang.

Connected Transactions and Interests in Contracts *(Continued)*

Other connected Transaction *(Continued)*

On 20 July 2018, CIMC Enric (Jingmen) Energy Equipment Co., Ltd. (中集安瑞科(荊門)能源裝備有限公司, a wholly-owned subsidiary of the Company, "Enric Jingmeng") entered into a capital increase agreement among with CIMC, Shenzhen Southern CIMC Container Manufacturing Co., Ltd. (深圳南方中集集裝箱製造有限公司, a wholly-owned subsidiary of CIMC), Shenzhen CIMC-Tianda Airport Support Ltd. (深圳中集天達空港設備有限公司, a non-wholly owned subsidiary of CIMC) and CIMC Modern Logistics Development Co., Ltd. (中集現代物流發展有限公司, a wholly-owned subsidiary of CIMC), in relation to increase the registered capital of CIMC Finance. Enric Jingmen subscribed for registered capital of RMB64,500,000 of CIMC Finance for a consideration of RMB99,739,161.52, and has held 7.01% of shareholding of CIMC Finance.

Directors' interests in transactions, arrangement or contracts of significance

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

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

Confirmation of Independence

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

Corporate Governance

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

The Company's corporate governance report is set out on pages 35 to 53. Details of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are given in the same report. The Audit Committee has reviewed and discussed with management the annual results and the audited financial statements for the year ended 31 December 2018.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2018 Final Dividend, the register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019 (both days inclusive). In order to qualify for the 2018 Final Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2019.

Subject to the approval by shareholders at the AGM to be held on 20 May 2019, the 2018 Final Dividend will be paid in cash on or about 24 June 2019 to shareholders whose names appear on the register of members of the Company on 31 May 2019 (the "Record Date").

Moreover, for determination of the entitlement to attend and vote at the AGM, the transfer books and register of members will be closed from Tuesday, 14 May 2019 to Monday, 20 May 2019 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all Share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 10 May 2019.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2018 Final Dividend

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

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

In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2018 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2018 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Friday, 24 May 2019.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2018 Final Dividend *(Continued)*

With respect to individual investors of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2018 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under the Notice Regarding Tax Policies Related to the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) and Notice Regarding Tax Policies Related to the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

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

Public Float

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

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

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

Auditor

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

By order of the Board
Gao Xiang
Chairman

Hong Kong, 21 March 2019

pwc 羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of CIMC Enric Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 183, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Recoverability of trade and bills receivables
- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade and bills receivables	
Refer to Note 2(i)(iv) of accounting policy of impairment of financial assets, Note 3 – Accounting estimates and judgements and Note 27 – Trade and bills receivables to the consolidated financial statements. As at 31 December 2018, the carrying amount of trade and bills receivables amounted to Renminbi ("RMB") 3,011,733,000 (after provision of RMB267,489,000), representing approximately 19% of the Group's total assets. The Group applies HKFRS 9 simplified approach to measure expected credit loss. Trade receivables have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics. We focused on this area due to the significance of the trade and bills receivables balance and the significant judgements involved in measuring expected credit loss rate.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over the assessment of the expected credit loss of trade and bills receivables. Those controls were related to the identification of impaired receivables and the quantification and recording of impairment provisions. (ii) We tested the accuracy of ageing analysis of receivables balances prepared by management on a sample basis. (iii) We assessed the expected credit loss by checking the supporting evidence, including subsequent settlements, credit history, business performance, financial capability of these customers and forecast market condition. (iv) We examined samples of receivables which had been identified as impaired by management and formed our own judgement as to whether that was appropriate, including assessing the appropriateness of the Group's grouping and calculation of expected credit loss. Based on our work performed, we found that management's judgement on the estimates of impairment provision was supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	
Refer to Note 2(r) of accounting policy of impairment of non-financial assets, Note 3 – Accounting estimates and judgements and Note 25 – Goodwill to the consolidated financial statements. As at 31 December 2018, the carrying amount of goodwill of the Group amounted to RMB256,849,000. Impairment provision of RMB17,087,000 had been recognised during the year ended 31 December 2018. Management conducted an impairment review by comparing the recoverable amounts of the goodwill, estimated based on value-in-use calculations, with the carrying value. The key assumptions adopted by management in the cash flow forecasts included future revenue growth rates, gross margins and discount rates. We focused on this area due to the fact that significant judgements were involved in assessing the key assumptions of goodwill impairment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls regarding goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment provision. (ii) We obtained management's worksheets of impairment of goodwill and tested the mathematical accuracy of the calculations. (iii) We analysed and assessed the reasonableness of management's assumptions of future revenue growth rates and gross margins by considering the historical operating results and latest market conditions. (iv) We evaluated the discount rates by involving our internal valuation specialist. (v) We performed sensitivity test on gross margins and discount rates. Based on our work performed, we found that management's key assumptions on goodwill impairment test was supported by the available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zee, Ho Sum.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Revenue	6&15	**13,051,651**	10,706,590
Cost of sales		**(10,825,903)**	(8,979,565)
Gross profit		**2,225,748**	1,727,025
Change in fair value of derivative financial instruments		**(2,064)**	10,495
Other revenue	7	**255,663**	214,174
Other income, net	7	**90,195**	25,970
Net impairment loss on financial assets	8(d)& 2(e)(ii)	**(10,678)**	(38,409)
Selling expenses		**(372,379)**	(312,334)
Administrative expenses		**(1,088,398)**	(882,961)
Profit from operations		**1,098,087**	743,960
Finance costs	8(a)	**(73,577)**	(79,402)
Impairment provision	9	**–**	(105,549)
Share of post-tax loss of associates	22	**(4,094)**	(245)
Profit before taxation	8	**1,020,416**	558,764
Income tax expenses	10	**(237,966)**	(135,866)
Profit for the year		**782,450**	422,898
Attributable to:			
Equity shareholders of the Company		**785,502**	420,077
Non-controlling interests		**(3,052)**	2,821
Profit for the year		**782,450**	422,898
Earnings per share			
– Basic	14	**RMB0.403**	RMB0.217
– Diluted		**RMB0.398**	RMB0.215

The notes on pages 86 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Profit for the year	**782,450**	422,898
Other comprehensive income for the year		
Items that may be reclassified to profit or loss:		
Currency translation differences	**(38,689)**	107,957
Total comprehensive income for the year	**743,761**	530,855
Attributable to:		
Equity shareholders of the Company	**746,813**	528,034
Non-controlling interests	**(3,052)**	2,821
Total comprehensive income for the year	**743,761**	530,855

The notes on pages 86 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**2,615,084**	2,590,329
Construction in progress	17	**148,938**	129,917
Investment property	18	**–**	18,981
Lease prepayments	19	**577,541**	508,963
Intangible assets	20	**204,976**	230,136
Equity investments	21	**129,739**	–
Investment in associates	22	**1,661**	5,755
Prepayment for acquisition of equity interests	24	**50,000**	–
Goodwill	25	**256,849**	273,926
Deferred tax assets	38(b)	**107,333**	104,070
		4,092,121	3,862,077
Current assets			
Derivative financial instruments	31	**1,749**	298
Inventories	26	**3,864,951**	3,053,574
Contract assets	15(d)	**787,547**	1,051,728
Trade and bills receivables	27	**3,011,733**	2,980,045
Deposits, other receivables and prepayments	28	**616,760**	516,942
Amounts due from related parties	46(d)	**183,251**	186,087
Restricted bank deposits	29	**364,971**	265,592
Cash and cash equivalents	30	**2,930,271**	2,259,890
		11,761,233	10,314,156
Current liabilities			
Derivative financial instruments	31	**3,515**	–
Bank loans	32	**477,787**	1,390,308
Loans from related parties	46(e)	**35,000**	105,000
Other borrowings	36	**8,305**	8,163
Trade and bills payables	33	**2,711,308**	2,432,934
Contract liabilities	15(d)	**2,950,127**	2,168,587
Other payables and accrued expenses	34	**1,525,315**	1,313,809
Amounts due to related parties	46(d)	**151,699**	127,712
Warranty provision	35	**199,902**	84,099
Income tax payable	38(a)	**26,196**	38,014
Employee benefit liabilities	40	**480**	440
		8,089,634	7,669,066
Net current assets		**3,671,599**	2,645,090
Total assets less current liabilities		**7,763,720**	6,507,167

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Non-current liabilities			
Bank loans	32	**686,320**	–
Warranty provision	35	**86,311**	182,266
Deferred tax liabilities	38(b)	**169,235**	165,837
Deferred income	39	**248,646**	254,048
Employee benefit liabilities	40	**4,321**	3,793
Other borrowings	36	**23,093**	31,444
		1,217,926	637,388
NET ASSETS		**6,545,794**	5,869,779
CAPITAL AND RESERVES			
Share capital	41(a)	**18,253**	17,793
Reserves	41(b)	**6,349,454**	5,706,846
Equity attributable to equity shareholders of the Company		**6,367,707**	5,724,639
Non-controlling interests		**178,087**	145,140
TOTAL EQUITY		**6,545,794**	5,869,779

The notes on pages 86 to 183 form an integral part of these consolidated financial statements.

The financial statements on pages 78 to 183 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Gao Xiang
Director

Yang Xiaohu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 41(a)	Share premium RMB'000 41(b)(i)	Contributed surplus RMB'000 41(b)(ii)	Capital reserve RMB'000 41(b)(iii)	Exchange reserve RMB'000 41(b)(iv)	General reserve fund RMB'000 41(b)(v)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (as previously reported)	17,743	147,005	1,124,571	171,748	(428,754)	452,424	3,673,994	5,158,731	143,334	5,302,065
CIMC Nantong Port Development Co., Ltd ("NYX") under common control combination	–	–	3,000	–	–	293	2,791	6,084	–	6,084
At 1 January 2017 (restated)	17,743	147,005	1,127,571	171,748	(428,754)	452,717	3,676,785	5,164,815	143,334	5,308,149
Profit for the year	–	–	–	–	–	–	420,077	420,077	2,821	422,898
Other comprehensive income										
Currency translation differences	–	–	–	–	107,957	–	–	107,957	–	107,957
Total comprehensive income for the period	–	–	–	–	107,957	–	420,077	528,034	2,821	530,855
Issuance of ordinary shares in connection with exercise of share options	50	21,897	–	(6,481)	–	–	–	15,466	–	15,466
Transfer to retained earnings	–	–	–	(3,892)	–	–	3,892	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,007	1,007
Equity-settled share-based transactions (note 37)	–	–	–	16,324	–	–	–	16,324	–	16,324
Transfer to general reserve	–	–	–	–	–	30,837	(30,837)	–	–	–
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	(2,022)	(2,022)
Total contributions by and distributions to owners of the company, recognised directly in equity	50	21,897	–	5,951	–	30,837	(26,945)	31,790	(1,015)	30,775
At 31 December 2017 (restated)	17,793	168,902	1,127,571	177,699	(320,797)	483,554	4,069,917	5,724,639	145,140	5,869,779

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 41(a)	Share premium RMB'000 41(b)(i)	Shares held for share award scheme RMB'000 37(b)	Contributed surplus RMB'000 41(b)(ii)	Capital reserve RMB'000 41(b)(iii)	Exchange reserve RMB'000 41(b)(iv)	General reserve fund RMB'000 41(b)(v)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017 (as previously reported)	17,793	168,902	–	1,124,571	177,699	(320,797)	483,261	4,064,409	5,715,838	145,140	5,860,978
NYX under common control combination	–	–	–	3,000	–	–	293	5,508	8,801	–	8,801
At 31 December 2017 (restated)	17,793	168,902	–	1,127,571	177,699	(320,797)	483,554	4,069,917	5,724,639	145,140	5,869,779
Adjustment on adoption of Hong Kong Financial Reporting Standard ("HKFRS") 9, net of tax	–	–	–	–	–	–	–	(8,102)	(8,102)	–	(8,102)
Adjustment on adoption of HKFRS 15, net of tax	–	–	–	–	–	–	–	(7,560)	(7,560)	–	(7,560)
At 1 January 2018 (restated)	17,793	168,902	–	1,127,571	177,699	(320,797)	483,554	4,054,255	5,708,977	145,140	5,854,117
Profit for the year	–	–	–	–	–	–	–	785,502	785,502	(3,052)	782,450
Other comprehensive income											
Currency translation differences	–	–	–	–	–	(38,689)	–	–	(38,689)	–	(38,689)
Total comprehensive income for the period	–	–	–	–	–	(38,689)	–	785,502	746,813	(3,052)	743,761
Issuance of shares in connection with exercise of share options	69	30,189	–	–	(8,812)	–	–	–	21,446	–	21,446
Issuance of ordinary shares in connection with share award scheme	391	142,472	(144,977)	–	–	–	–	–	(2,114)	–	(2,114)
Transfer to retained earnings	–	–	–	–	(5,279)	–	–	5,279	-	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	32,031	32,031
Acquisition of additional interest in a subsidiary (note 47(a))	–	–	–	–	(5,460)	–	–	–	(5,460)	5,460	–
Equity-settled share-based transactions (note 37)	–	–	–	–	29,960	–	–	–	29,960	–	29,960
Change in ownership interests in a subsidiary without change of control (note 47(b))	–	–	–	–	2,571	–	–	–	2,571	1,286	3,857
Transfer to general reserve	–	–	–	–	–	–	35,557	(35,557)	–	–	–
2017 final dividend paid	–	–	–	–	–	–	–	(131,486)	(131,486)	–	(131,486)
Dividends distribution made by a subsidiary to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,778)	(2,778)
Distribution to previous shareholders of NYX under common control combination	–	–	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Total contributions by and distributions to owners of the company, recognised directly in equity	460	172,661	(144,977)	(3,000)	12,980	–	35,557	(161,764)	(88,083)	35,999	(52,084)
At 31 December 2018	18,253	341,563	(144,977)	1,124,571	190,679	(359,486)	519,111	4,677,993	6,367,707	178,087	6,545,794

The notes on pages 86 to 183 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Operating activities			
Profit before taxation		**1,020,416**	558,764
Adjustments for:			
Depreciation and amortisation		**279,466**	255,260
Impairment provision	9	**–**	105,549
Impairment of goodwill	25	**17,087**	38,000
Change in fair value of derivative financial instruments		**2,064**	(10,495)
Share of post-tax loss of associates		**4,094**	245
Interest income	7	**(17,229)**	(27,481)
Interest charges	8(a)	**67,676**	76,648
Net loss on disposal of property, plant and equipment and investment property	7	**1,143**	577
Gain from bargain purchase	7	**–**	(68,701)
Equity-settled share-based payment expenses for share option scheme	8(b)	**3,183**	16,324
Equity-settled share-based payment expenses for restricted share award scheme	8(b)	**26,777**	–
Foreign exchange (gain)/loss	7	**(38,990)**	42,414
Operating profit before changes in working capital		**1,365,687**	987,104
Increase in inventories		**(792,679)**	(750,398)
(Increase)/decrease in trade and bills receivables		**(71,970)**	82,303
Decrease in contract assets		**264,181**	–
Increase in deposits, other receivables and prepayments		**(99,819)**	(395,260)
Decrease/(increase) in amounts due from related parties		**2,836**	(14,404)
Increase in trade and bills payables		**278,374**	364,890
Increase in other payables and accrued expenses		**70,009**	641,901
Increase in contract liabilities		**781,540**	–
Increase in amounts due to related parties		**23,987**	54,115
Increase in employee benefit liabilities		**568**	1,211
Decrease in deferred income		**(5,402)**	(10,602)
Increase in warranty provisions		**17,754**	87,125
Cash generated from operations		**1,835,066**	1,047,985
Income tax paid	38(a)	**(245,170)**	(196,338)
Net cash from operating activities		**1,589,896**	851,647

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(286,711)**	(172,532)
Payment for lease prepayments		**(83,005)**	–
Payment for acquisition of intangible assets		**(9,146)**	(13,704)
Proceeds from disposal of property, plant and equipment and investment property		**32,355**	14,179
Interest received		**17,229**	27,481
Acquisition of a subsidiary and an associate, net of cash acquired		**–**	(550,008)
Loans repayment from a third party		**–**	189,182
Prepayment for acquisition of equity interest		**(50,000)**	–
Payment for equity investments		**(129,739)**	–
Acquisition of a subsidiary		**(3,000)**	–
Restricted bank deposits		**(99,379)**	(1,952)
Net cash used in investing activities		**(611,396)**	(507,354)
Financing activities			
Proceeds from new bank loans		**1,134,576**	387,865
Repayment of bank loans		**(1,404,499)**	(519,225)
Interest paid		**(71,155)**	(80,127)
Repayment of other borrowings		**(8,209)**	(4,193)
Capital contribution from the non-controlling interest		**35,998**	1,007
Shares issued under the restricted share award scheme		**142,863**	–
Proceeds from shares issued under share option scheme		**21,446**	15,466
Loans from related parties		**345,640**	408,000
Repayment of loans from related parties		**(415,640)**	(1,178,000)
Dividends paid to the Company's shareholders		**(131,486)**	–
Dividends paid to non-controlling interest		**–**	(2,022)
Net cash used in financing activities		**(350,466)**	(971,229)
Net increase/(decrease) in cash and cash equivalents		**628,034**	(626,936)
Cash and cash equivalents at 1 January		**2,259,890**	2,919,014
Effect of foreign exchange rate changes		**42,347**	(32,188)
Cash and cash equivalents at 31 December	30	**2,930,271**	2,259,890

The notes on pages 86 to 183 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

The Company has its listing on the Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2019.

2 Significant accounting policies

(a) Basis of preparation of the financial statements

The consolidated financial statements of CIMC Enric Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and other comprehensive income.

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

(b) Restatement due to common control combination

On 23 April 2018, Ziemann Holvrieka Asia Co., Ltd. ("ZHA"), a wholly-owned subsidiary of the Company, entered into an agreement to acquire from Shenzhen South CIMC Logistics Co., Ltd. ("CIMC Logistics") 100% of the registered capital of CIMC Nantong Port Development Co., Ltd. ("NYX", formerly known as Nantong Yongxin Logistics Co., Ltd.) for an aggregate consideration of RMB3,000,000.

Since the Company, CIMC Logistics, ZHA and NYX are ultimately controlled by China International Marine Containers (Group) Co., Ltd. ("CIMC") both before and after the above mentioned acquisition, this acquisition is regarded as "common control combination". Accordingly, the Group has applied merger accounting to account for the acquisition of NYX in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In applying merger accounting, the consolidated financial information/statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

2 Significant accounting policies *(Continued)*

(b) Restatement due to common control combination *(Continued)*

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

Reconciliation of the results of operations for the year ended 31 December 2017 and the financial position as at 31 December 2017 previously reported by the Group and the restated amounts presented in the consolidated financial statements are set out below:

	Year ended 31 December 2017				**Year ended 31 December 2018**
	The Group RMB'000 (as previously reported)	NYX RMB'000	Elimination RMB'000	The Group RMB'000 (Restated)	**The Group RMB'000**
Revenue	10,671,276	35,314	–	10,706,590	**13,051,651**
Profit from operations	740,475	3,485	–	743,960	**1,098,087**
Profit for the period	420,181	2,717	–	422,898	**782,450**
Profit for the period attributable to equity shareholders of the Company	417,360	2,717	–	420,077	**785,502**
Earnings per share					
Basic earnings per share	RMB0.215	–	–	RMB0.217	**RMB0.403**
Diluted earnings per share	RMB0.213	–	–	RMB0.215	**RMB0.398**

2 Significant accounting policies *(Continued)*

(b) Restatement due to common control combination *(Continued)*

	As at 31 December 2017				As at 31 December 2018
	The Group RMB'000 (as previously reported)	NYX RMB'000	Elimination RMB'000	The Group RMB'000 (Restated)	**The Group RMB'000**
Current assets	10,305,316	11,801	(2,961)	10,314,156	**11,761,233**
Total assets	14,167,219	11,975	(2,961)	14,176,233	**15,853,354**
Current liabilities	7,668,853	3,174	(2,961)	7,669,066	**8,089,634**
Total liabilities	8,306,241	3,174	(2,961)	8,306,454	**9,307,560**
Equity attributable to equity shareholders of the Company	5,715,838	8,801	–	5,724,639	**6,367,707**

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendment)	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 cycle	Amendment to HKFRS 1 First Time Adoption of HKFRS 1 Amendment to HKAS 28 Investments in Associates and Joint Ventures

The adoption of the new and amended standards does not have significant impact on the consolidated financial statements except for HKFRS 9 and HKFRS 15. Please refer to note 2(e) below.

2 Significant accounting policies *(Continued)*

(d) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2018 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 16 Leases (i)	1 January 2019
HK (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to HKAS 28 "Long-term interests in Associates and Joint Ventures"	1 January 2019
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

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB59,797,000, see note 45. Of these commitments, approximately RMB6,925,000 relate to short-term leases and RMB96,000 to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB47,919,000, lease liabilities of RMB48,995,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018), deferred tax assets of RMB251,000 and retained earnings of negative RMB825,000 on 1 January 2019.

2 Significant accounting policies *(Continued)*

(d) New standards and interpretations not yet adopted *(Continued)*

(i) HKFRS 16 Leases *(Continued)*

The Group expects that net profit after tax will increase by approximately RMB136,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately RMB30,507,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(e) Changes in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information/statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The adjustments arising from the new accounting policies are not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. However, the reclassifications for "contract assets" and "contract liabilities" have been made in the restated balance sheet as at 31 December 2017 for presentation purpose.

2 Significant accounting policies *(Continued)*

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

(i) Impact on the financial statements *(Continued)*

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details below.

	31 December 2017 after restatement for combination of NYX RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Balance sheet				
Inventories	3,053,574	–	18,719	3,072,293
Trade and bills receivables	2,980,045	(10,803)	(28,799)	2,940,443
Deposits, other receivables and prepayments	1,568,670	–	(1,051,728)	516,942
Contract assets	–	–	1,051,728	1,051,728
Current assets	10,314,156	(10,803)	(10,080)	10,293,273
Deferred tax assets	104,070	2,701	2,520	109,291
Non-current assets	3,862,077	2,701	2,520	3,867,298
Total assets	14,176,233	(8,102)	(7,560)	14,160,571
Other payables and accrued expenses	3,482,396	–	(2,168,587)	1,313,809
Contract liabilities	–	–	2,168,587	2,168,587
Current liabilities	7,669,066	–	–	7,669,066
Total liabilities	8,306,454	–	–	8,306,454
Reserves	5,706,846	(8,102)	(7,560)	5,691,184
Equity attributable to equity shareholders of the Company	5,724,639	(8,102)	(7,560)	5,708,977

2 Significant accounting policies *(Continued)*

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

(ii) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period as well.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018 RMB'000
Retained earnings – after restatement for common control combination	4,069,917
Increase in provision for trade receivables	(10,803)
Increase in deferred tax assets	2,701
Adjustment to retained earnings from adoption of HKFRS 9	(8,102)
Retained earnings – after restatement for HKFRS 9	4,061,815

Adjustments made to line items in the consolidated income statement for the year ended 31 December 2017 reporting period relate to:

	2017 RMB'000 (Restated)
Decrease of administrative expenses*	38,409
Increase of net impairment loss on financial assets*	(38,409)
Increase of operating profit	–

* Reclassification of impairment losses on financial and contract assets required as a result of consequential changes made according to HKAS 1 Presentation of Financial Statements

2 Significant accounting policies *(Continued)*

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

(ii) HKFRS 9 Financial Instruments *(Continued)*

Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Contract assets
- Other receivables, including amounts due from related parties
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2(e)(i) above.

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

Trade receivables

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

To measure the expected credit losses of trade receivables from third parties, trade receivables have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics as follows:

Individual	Receivables under lawsuits
Group 1	Bank acceptance notes
Group 2	Other trade receivables

- For the receivables under lawsuits, these credit risk characteristics are unique, the Group has assessed that the expected credit losses on an individual basis;
- For bank acceptance notes, the Group has assessed that the expected credit losses are immaterial. Thus no loss allowance provision was recognised as at 1 January 2018;

2 Significant accounting policies *(Continued)*

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

(ii) HKFRS 9 Financial Instruments *(Continued)*

Trade receivables *(Continued)*

- For other trade receivables, the Group has assessed the expected credit losses based on shared credit risk characteristics and past due ageing, the loss allowance as at 1 January 2018 was determined as follows:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.69%	1,381,058	9,575
Less than 3 months past due	3.04%	629,818	19,128
More than 3 months but less than 12 months past due	3.61%	205,444	7,419
More than 1 year but less than 2 years past due	12.51%	139,349	17,433
More than 2 years but less than 3 years past due	27.77%	157,334	43,688
More than 3 years past due	59.57%	89,296	53,197
Total		2,602,299	150,440

The loss allowance for trade receivables as at 31 December 2017 reconciled to the opening loss allowance on 1 January 2018 as follows:

	Individual RMB'000	Group 1 RMB'000	Group 2 RMB'000	Total RMB'000
At 31 December 2017 – calculated under HKAS 39	115,343	–	139,637	254,980
Amounts restated through opening retained earnings	–	–	10,803	10,803
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	115,343	–	150,440	265,783

Contract assets

Management has made reference to the expected loss rate for current trade receivables in making loss allowance provision for current contract assets as at 1 January 2018. The loss allowance provision for contract assets was not material as at 1 January 2018.

2 Significant accounting policies *(Continued)*

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

(ii) HKFRS 9 Financial Instruments *(Continued)*

Amounts due from related parties

Amounts due from related parties mainly include trade receivables from related parties. The management has assessed that the expected loss rate for trade receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables from related parties was recognised during the year.

Other receivables

Other financial assets at amortised cost include other receivables from related parties and tenders for contract work, the internal credit rating of other receivables from related parties and tenders for contract work were performing. The Group has assessed that the expected credit losses for these receivables were not material. Thus no loss allowance provision was recognised as at 1 January 2018.

(iii) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

(a) The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018 RMB'000
Retained earnings – after restatements for HKFRS 9 and common control combination	4,061,815
Reassessment of construction contracts for adoption of HKFRS 15	(10,080)
Increase in deferred tax assets	2,520
Adjustment to retained earnings from adoption of HKFRS 15	(7,560)
Retained earnings – after restatements for HKFRS 15, HKFRS 9 and common control combination	4,054,255

2 Significant accounting policies *(Continued)*

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

(iii) HKFRS 15 Revenue from Contracts with Customers *(Continued)*

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated balance sheet (extract)			
Deposits, other receivables and prepayments	1,404,307	(787,547)	616,760
Contract assets	–	787,547	787,547
Other payables and accrued expenses	4,475,442	(2,950,127)	1,525,315
Contract liabilities	–	2,950,127	2,950,127

	Year ended 31 December 2018		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated income statement (extract)			
Revenue	13,022,852	28,799	13,051,651
Cost of sales	(10,807,184)	(18,719)	(10,825,903)
Income tax expenses	(235,446)	(2,520)	(237,966)
Profit for the year	774,890	7,560	782,450
– Attributable to equity shareholders of the Company	777,942	7,560	785,502

Presentation of contract assets and liabilities

Reclassification was made at 31 December 2017 to be consistent with the terminology used under HKFRS 15.

- The excess of cumulative revenue recognised in profit or loss over the cumulative billings is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

- The excess of cumulative billings to purchasers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liabilities are recognised as revenue when the Group satisfies its performance obligations.

- Reclassification of comparatives were made to the amount due from customers for contract work which was previously included in deposits, other receivables and prepayments to contract assets, and advance from customers which was previously included in other payables and accrued expenses to contract liabilities, amounting to RMB1,051,728,000 and RMB2,168,587,000, respectively.

2 Significant accounting policies *(Continued)*

(f) Subsidiaries

(i) Consolidation

(a) Business Combination

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement. The negative goodwill is recognised in "other income, net".

2 Significant accounting policies *(Continued)*

(f) Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

(a) Business Combination *(Continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(ii) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 Significant accounting policies *(Continued)*

(g) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of post-tax loss of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 Significant accounting policies *(Continued)*

(h) Goodwill

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

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

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

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

(i) Investments and other financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

(ii) Recognition and derecognition

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

2 Significant accounting policies *(Continued)*

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

(iii) Measurement

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

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

Equity instruments

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

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

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

(v) Accounting policies applied until 31 December 2017

1) The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

   Until 31 December 2017, the Group classifies its financial assets in the following categories:

   - financial assets at fair value through profit or loss, and

   - loans and receivables.

   The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

2 Significant accounting policies *(Continued)*

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

(v) Accounting policies applied until 31 December 2017 *(Continued)*

2) Subsequent measurement

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the consolidated income statement.

Details on how the fair value of financial instruments is determined are disclosed in note 4(a).

3) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

(j) Offsetting financial instruments

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

(k) Financial guarantee contracts

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

(m) Property, plant and equipment

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

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

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

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

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

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

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

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

No depreciation is provided for construction in progress.

2 Significant accounting policies *(Continued)*

(n) Investment property

Property that is held for long-term rental yields and not occupied by the Group, is classified as investment property.

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

(o) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

(p) Lease prepayments

Lease prepayments represent payments for land use rights to the People's Republic of China ("PRC") authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 2(r)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

2 Significant accounting policies *(Continued)*

(q) Lease

(i) Finance lease

Leases of equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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 property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

(ii) Operating lease

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(r) Impairment of non-financial assets

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

– property, plant and equipment;

– construction in progress;

– lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and associates

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

2 Significant accounting policies *(Continued)*

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(s) Inventories

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

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

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

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

2 Significant accounting policies *(Continued)*

(t) Project engineering contracts

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

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

(u) Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 27 for further information about the Group's accounting for trade receivables and note 2(e)(ii) for a description of the Group's impairment policies.

(v) Interest-bearing borrowings

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

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

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

2 Significant accounting policies *(Continued)*

(w) Preference share capital

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

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

(x) Trade and other payables

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

(y) Cash and cash equivalents

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

(z) Employee benefits

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

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

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

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

2 Significant accounting policies *(Continued)*

(z) Employee benefits *(Continued)*

(ii) Share-based payments

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

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

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

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

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

(iii) Jubilee benefits

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

2 Significant accounting policies *(Continued)*

(aa) Income tax

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

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(aa) Income tax *(Continued)*

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

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

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

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

  - the same taxable entity; or

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

(ab) Provisions and contingent liabilities

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

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

2 Significant accounting policies *(Continued)*

(ac) Revenue recognition

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

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

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

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

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

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

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

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

(ad) Interest income

Interest income is recognised as it accrues using the effective interest method.

(ae) Government grants

Unconditional government grants are recognised in the income statement as income when the grants become receivable.

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

2 Significant accounting policies *(Continued)*

(af) Dividend distribution

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

(ag) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ah) Translation of foreign currencies

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2 Significant accounting policies *(Continued)*

(ah) Translation of foreign currencies *(Continued)*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

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

(ai) Borrowing costs

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

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

2 Significant accounting policies *(Continued)*

(aj) Related parties

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 Significant accounting policies *(Continued)*

(ak) Segment reporting

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

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

(al) Profit from operations

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

3 Accounting estimates and judgements

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

(i) Impairment of financial assets

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

(ii) Impairment of non-financial assets

In considering the impairment losses that may be required for certain of the Group's assets which include goodwill, property, plant and equipment, construction in progress, intangible assets and lease prepayments (see note 2(r)) the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

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

3 Accounting estimates and judgements *(Continued)*

(iii) Project engineering contracts

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

(iv) Warranty provisions

As explained in note 35, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect the income statement in future years.

(v) Fair value estimates on acquisition of subsidiaries

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

4 Fair value measurement of financial instruments

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

The different levels of fair value estimation have been defined as follows:

- 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).

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

(a) Fair value hierarchy *(Continued)*

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 31 December 2017 on a recurring basis:

	At 31 December2018		At 31 December 2017 (Restated)
	Level 2 RMB'000	Level 3 RMB'000	Level 2 RMB'000
Financial assets			
– FVPL – foreign currency forwards	1,749	–	298
– FVOCI – equity investments	–	129,739	–
Financial liability			
– FVPL – foreign currency forwards	3,515	–	–

As at 31 December 2018, the Group's financial instruments measured at fair value through profit or loss were derivative financial instruments arising from forward exchange contracts which were classified as level 2. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

As at 31 December 2018, the Group's financial instruments measured at fair value through other comprehensive income were equity investments in unlisted entities which were classified as level 3. If one or more of the significant inputs is not based on observable market data, the instrument is included in 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 31 December 2018.

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

(b) Valuation techniques used to determine fair values

Level 2 financial instruments comprise forward foreign exchange contracts. The fair value of these forward foreign exchange contracts is determined using forward exchange rates at the balance sheet day.

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

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

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

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 year, 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 valuation of the level 3 instruments included the unlisted equity securities only. As the investments in private companies are not traded in an active market, their fair values have been determined by discounted cash flows. 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 inflows: 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.

The Group invested in these unlisted entities at a time close to the year end of 2018 and the investment consideration was determined with reference to the fair value of these unlisted entities. The change of the fair value during the period from investment date to 31 December 2018 was considered insignificant. Thus the fair value of these equity investments approximated the investment cost as of 31 December 2018.

5 Financial risk management and fair values

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

(a) Credit risk

(i) Risk management

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

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

(ii) Impairment of financial assets

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

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

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

As at 31 December 2018, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised.

The Group has assessed that the expected credit losses for other receivables from third parties are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised as at 31 December 2018.

The Group has made reference to the expected loss risk for current trade receivables in making loss allowance provision for current contract assets. As at 31 December 2018, the loss allowance provision for contract assets was not material.

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

(a) Credit risk *(Continued)*

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

To measure the expected credit losses of trade receivables, trade receivables have been assessed for impairment both on an individual basis and on a collective group basis based on different credit risk characteristics (note 2(e)(ii)). As at 31 December 2018 and 1 January 2018, the cost and loss allowance of trade receivables in these categories are as follows:

	31 December 2018		1 January 2018	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Individual	202,008	(120,881)	313,345	(115,343)
Group 1	225,300	–	319,381	–
Group 2	2,851,914	(146,608)	2,602,299	(150,440)
Total	3,279,222	(267,489)	3,235,025	(265,783)

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

	Current	Less than 3 months past due	More than 3 months but less than 12 months past due	More than 1 year but less than 2 years past due	More than 2 years but less than 3 years past due	More than 3 years past due	Total
At 31 December 2018							
Expected loss rate	0.71%	3.08%	5.33%	17.80%	30.42%	61.73%	
Gross carrying amount – trade receivables	1,675,359	686,417	186,175	137,953	74,585	91,425	2,851,914
Loss allowance	11,886	21,112	9,932	24,558	22,687	56,433	146,608

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

(a) Credit risk *(Continued)*

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

	Current	Less than 3 months past due	More than 3 months but less than 12 months past due	More than 1 year but less than 2 years past due	More than 2 years but less than 3 years past due	More than 3 years past due	Total
At 1 January 2018							
Expected loss rate	0.69%	3.04%	3.61%	12.51%	27.77%	59.57%	
Gross carrying amount							
– trade receivables	1,381,058	629,818	205,444	139,349	157,334	89,296	2,602,299
Loss allowance	9,575	19,128	7,419	17,433	43,688	53,197	150,440

The closing loss allowance for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowance as follows:

	Trade receivables	
	2018 RMB'000	2017 RMB'000 (Restated)
At 31 December – calculated under HKAS 39	**254,980**	215,400
Opening loss allowance as at 1 January 2018		
– calculated under HKFRS 9	**10,803**	–
Increase in loss allowance recognised in profit or loss during the year	**35,039**	69,721
Unused amount reversed	**(24,361)**	(27,924)
Receivables written off during the year as uncollectible	**(9,652)**	(3,582)
Exchange adjustment	**680**	1,365
At 31 December	**267,489**	254,980

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

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

(a) Credit risk *(Continued)*

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

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet and the contingencies. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 27.

(b) Liquidity risk

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

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

(b) Liquidity risk *(Continued)*

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

	2018 Contractual undiscounted cash flow				2017 Contractual undiscounted cash flow			
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000 (Restated)	1 to 5 years RMB'000 (Restated)	Total RMB'000 (Restated)	Carrying amount RMB'000 (Restated)
Bank loans	507,017	729,416	1,236,433	1,164,107	1,422,689	–	1,422,689	1,390,308
Bills payable, creditors and accrued expenses	3,869,516	–	3,869,516	3,869,516	3,442,614	–	3,442,614	3,442,614
Other borrowings	8,760	24,471	33,231	31,398	8,760	33,231	41,991	39,607
Amounts due to related parties	187,076	–	187,076	186,699	234,061	–	234,061	232,712
	4,572,369	753,887	5,326,256	5,251,720	5,108,124	33,231	5,141,355	5,105,241

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank deposits and bank loans. Floating rate bank deposits and bank loans at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's floating rate bank deposits and bank loans at variable rates at the balance sheet date.

	2018		2017	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Floating rate bank deposits	0.68%	2,856,926	1.06%	2,239,559
Bank loans	3.73%	(854,107)	3.51%	(1,052,808)

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/(decrease) of 50 basis points in interest rates, with all other variables held constant, would increase/(decrease) the Group's profit after tax and retained earnings by approximately RMB7,511,000 (2017: RMB4,450,000). Other components of consolidated equity would not change in response to the general increase/(decrease) in interest rates.

For sensitivity analysis above in respect of the exposure to cash flow interest rate risk arising from floating rate bank deposits and bank loans held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualised impact on interest income assuming that such a change in interest rates had occurred at the balance sheet date. The analysis is performed on the same basis for 2017.

(d) Currency risk

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

(i) Forecast transactions

Depreciation or appreciation of the Renminbi against foreign currencies can affect the Group's results. The Group almost did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

(ii) Recognised assets and liabilities

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

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

(iii) Exposure to currency risk

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

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

(d) Currency risk *(Continued)*

(iii) Exposure to currency risk *(Continued)*

	Exposure to foreign currencies 2018						
	RMB RMB'000	USD RMB'000	HKD RMB'000	Euro RMB'000	GBP RMB'000	DKK RMB'000	MXN RMB'000
Trade and bills receivables	–	452,951	–	76,225	–	–	–
Deposits, other receivables	–	5,908	–	–	–	–	–
Cash and cash equivalents	419	486,375	3,063	323,718	47,559	7,763	27,871
Restricted cash	–	48,993	–	23,089	–	–	–
Trade and bills payables	–	(89,054)	–	(7,118)	(24,815)	–	–
Other payables and accrued expenses	–	(38,767)	–	(4,777)	–	–	–
Bank loans	–	(102,948)	–	–	–	–	–
Overall net exposure	419	763,458	3,063	411,137	22,744	7,763	27,871

	Exposure to foreign currencies 2017						
	RMB RMB'000 (Restated)	USD RMB'000 (Restated)	HKD RMB'000 (Restated)	Euro RMB'000 (Restated)	GBP RMB'000 (Restated)	DKK RMB'000 (Restated)	MXN RMB'000 (Restated)
Trade and bill receivables	–	375,251	–	77,822	–	–	–
Deposits, other receivables	–	6,963	–	1,150	–	–	–
Cash and cash equivalents	4,140	265,633	57,600	125,923	42,583	7,330	–
Restricted cash	–	36,514	–	–	–	–	–
Trade and bills payables	–	(26,433)	–	(1,215)	(26,031)	–	–
Other payables and accrued expenses	–	(11,168)	–	(9,482)	–	–	–
Overall net exposure	4,140	646,760	57,600	194,198	16,552	7,330	–

(iv) Sensitivity analysis

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

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

(d) Currency risk *(Continued)*

(iv) Sensitivity analysis *(Continued)*

The Group

	2018		2017	
	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained earnings RMB'000	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained earnings RMB'000
RMB	5%	16	5%	155
	(5%)	(16)	(5%)	(155)
USD	5%	28,630	5%	24,254
	(5%)	(28,630)	(5%)	(24,254)
HKD	5%	115	5%	2,160
	(5%)	(115)	(5%)	(2,160)
Euro	5%	15,418	5%	7,282
	(5%)	(15,418)	(5%)	(7,282)
GBP	5%	853	5%	621
	(5%)	(853)	(5%)	(621)
DKK	5%	291	5%	275
	(5%)	(291)	(5%)	(275)
MXN	5%	1,045	5%	–
	(5%)	(1,045)	(5%)	–

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

6 Revenue

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

Revenue represents: (i) the sales value of goods sold after allowances for returns of goods, excluding value-added tax or other sales taxes and after the deduction of any trade discounts; and (ii) revenue from project engineering contracts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Sales of goods	**9,321,439**	7,596,873
Revenue from project engineering contracts	**3,730,212**	3,109,717
	13,051,651	10,706,590

7 Other revenue and other income, net

		2018 RMB'000	2017 RMB'000 (Restated)
Other revenue			
Government grants	(i)	**47,519**	39,733
Other operating revenue	(ii)	**190,915**	146,960
Interest income from bank deposits		**17,229**	27,481
		255,663	214,174

(i) Government grants represent various forms of incentives and subsidies given to the Company's subsidiaries by the PRC government, and the recognition of deferred government grants as set out in note 39.

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

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

	2018 RMB'000	2017 RMB'000 (Restated)
Other income, net		
Write-back of payables and advances from customers (i)	**60,189**	387
Foreign exchange gain/(loss)	**38,990**	(42,414)
Net loss on disposal of property, plant and equipment and investment property	**(1,143)**	(577)
Gain from bargain purchase	**–**	68,701
Other net loss	**(7,841)**	(127)
	90,195	25,970

(i) In prior years, the Group has provided customs payable on certain bonded materials that were not expected to be exported. During the year, the Group exported certain products with the above mentioned bonded materials and subsequently RMB47,889,000 of corresponding customs payable was written back as the Group was no longer obliged to pay the customs on those bonded materials. The remaining RMB12,300,000 represented the write-back of advances from customers.

8 Profit before taxation

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

(a) Finance costs

	2018 RMB'000	2017 RMB'000 (Restated)
Interest on bank loans and other borrowings	**67,676**	76,648
Bank charges	**5,901**	2,754
	73,577	79,402

(b) Staff costs

	2018 RMB'000	2017 RMB'000 (Restated)
Salaries, wages and allowances	**1,593,282**	1,418,309
Contributions to retirement schemes (note 42)	**70,877**	64,334
Equity-settled share-based payment expenses		
Share option scheme	**3,183**	16,324
Restricted share award scheme	**26,777**	–
	1,694,119	1,498,967

8 Profit before taxation *(Continued)*

(c) Other items

	2018 RMB'000	2017 RMB'000 (Restated)
Cost of inventories (i) (note 26)	**7,263,356**	6,034,910
Auditors' remuneration		
– Audit services	**6,095**	6,816
– Non-audit services	**1,076**	1,309
Depreciation of property, plant and equipment (i) (note 16)	**230,089**	202,951
Amortisation of intangible assets (note 20)	**34,950**	40,496
Amortisation of lease prepayments (note 19)	**14,427**	11,813
Impairment of goodwill (note 25)	**17,087**	38,000
Impairment provision for receivables from Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd., ("SOE") (note 9)	**–**	105,549
Write-down of inventories (note 26)	**65,473**	37,044
Reversal of write-down of inventories (note 26)	**(6,622)**	(14,648)
Acquisition-related cost	**–**	20,593
Research and development costs	**221,049**	170,529
Operating lease charges for property rental	**55,611**	19,547
Provision for product warranties (note 35)	**59,490**	116,038

(i) Cost of inventories includes RMB578,845,000 (2017: RMB427,852,000) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above.

(d) Net impairment loss on financial assets

	2018 RMB'000	2017 RMB'000 (Restated)
Impairment provision for trade receivables	**35,039**	69,721
Reversal of impairment provision for trade receivables	**(24,361)**	(27,924)
Reversal of impairment provision for other receivables	**–**	(3,388)
	10,678	38,409

9 Impairment provision

The amount represents the provisions for impairments which is analysed as below:

	2018 RMB'000	2017 RMB'000
Impairment provision for receivable from SOE	–	105,549

On 27 August 2015, CIMC Enric Investment Holdings (Shenzhen) Limited ("EIHL"), a subsidiary of the Company, entered into an agreement ("Agreement") with SOEG PTE LTD ("SOEG"), Jiangsu Pacific Shipbuilding Group Co., Ltd. ("Jiangsu Pacific") and Evergreen Group Co., Ltd. ("Evergreen") (collectively, the "Vendors"), shareholders of SOE, pursuant to which the Vendors agreed to sell and EIHL agreed to purchase 100% equity interest in SOE. Afterwards, the Company, SOE and Evergreen entered into a financial assistance framework agreement ("Financial Assistance Agreement") which governed the financial assistance provided by the Group to SOE in the form of loans and guarantees.

During 2016, the Directors considered certain conditions precedents in the Agreement could not be fulfilled and the Vendors breached certain material terms of the Agreement, hence the Agreement and the Financial Assistance Agreement were terminated by EIHL. The Company assessed the recoverability of the receivable from SOE and for the year ended 31 December 2016, a provision of RMB1,184,281,000 was provided for receivable from SOE.

In 2017, SOE was in receivership of the SOE Insolvency and Liquidation Team (the "Receiver") which was appointed by the PRC Court. The Company, based on the best knowledge available and the repayment capability analysis provided by the Receiver, made a further impairment provision of RMB105,549,000 to write down the receivables due from SOE for the year ended 31 December 2017.

On 5 July 2017, EIHL, SOE and the Receiver entered into a restructuring investment agreement (the "Restructuring Plan") pursuant to which EIHL as the restructuring investor, offered to purchase the major assets of the SOE through acquiring the entire equity interest in SOE. Subsequently, the Restructuring Plan was officially approved by SOE's creditors at the creditors' meeting and the PRC Court on 22 July 2017 and 4 August 2017 respectively and SOE became a direct wholly-owned subsidiary of EIHL on 4 August 2017.

10 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2018 RMB'000	2017 RMB'000 (Restated)
Current tax		
Provision for the year	**235,581**	188,861
Over-provision in respect of prior years	**(2,329)**	(6,973)
	233,252	181,888
Deferred tax		
Origination and reversal of temporary differences	**4,714**	(46,022)
	237,966	135,866

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

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

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

Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany, United Kingdom and Singapore are charged at the prevailing rates of 25%, 33.99%, 25%, 30%, 20% and 17% respectively in the relevant countries and are calculated on a stand-alone basis.

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

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

	2018 RMB'000	2017 RMB'000 (Restated)
Profit before taxation	**1,020,416**	558,764
Notional tax on profit before taxation, calculated at the applicable rates	**306,815**	142,365
Effect of tax concessions	**(78,067)**	(54,443)
Tax effect of super deduction	**(8,470)**	(12,135)
Tax effect of non-deductible expenses	**4,927**	10,488
Tax effect of impairment provision for which no deferred tax assets were recognised(i)	**1,890**	26,387
Tax effect of unused tax losses not recognised	**14,153**	32,169
Over-provision in prior years	**(2,329)**	(6,973)
Utilisation of tax losses which no deferred tax assets were recognised before	**(953)**	(1,992)
Income tax expenses	**237,966**	135,866

(i) For the year ended 31 December 2018, it represents the tax effect of the impairment provision of approximately RMB12,599,000, in aggregate recorded by a subsidiary for the trade receivables. The Group did not recognise deferred tax assets of RMB1,890,000 in respect of the impairment provision as management considered it is uncertain if that subsidiary will generate sufficient taxable profit to realise these deferred tax assets in the foreseeable future.

For the year ended 31 December 2017, it represents the tax effect of the impairment provision of approximately RMB105,549,000, in aggregate recorded by EIHL for the receivables due from SOE (note 9). The Group did not recognise deferred tax assets of RMB26,387,000 at the year ended 31 December 2017 in respect of the impairment provision as management considered it is uncertain that EIHL will generate sufficient taxable profit to realise these deferred tax assets in foreseeable future.

11 Directors' remuneration

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

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

11 Directors' remuneration *(Continued)*

Details of Directors' remuneration for the year ended 31 December 2017 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based Payments (i) RMB'000	Total RMB'000
Executive Directors:							
Gao Xiang (ii)	–	167	–	–	167	233	400
Liu Chunfeng (x)	–	1,060	30	–	1,090	200	1,290
Yang Xiaohu (iii)	–	158	9	–	167	26	193
Non-executive Directors:							
Jin Yongsheng (iv)	191	–	–	–	191	174	365
Jin Jianlong (v)	–	–	–	–	–	174	174
Yu Yuqun	156	–	–	–	156	174	330
Wang Yu	156	–	–	–	156	–	156
Independent Non-Executive Directors:							
Tsui Kei Pang	191	–	–	–	191	174	365
Wong Chun Ho (vii)	191	–	–	–	191	174	365
Zhang Xueqian	191	–	–	–	191	174	365
	1,076	1,385	39	–	2,500	1,503	4,003

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

(ii) Mr. Gao Xiang was appointed as Chairman of the Company with effect from 1 April 2015. Mr. Gao Xiang is also an executive vice president of CIMC, the Company's ultimate controlling shareholder.

(iii) Mr. Yang Xiaohu was appointed as an Executive Director and General Manager of the Company with effect from 27 October 2017.

(iv) Mr. Jin Yongsheng resigned as a Non-executive Director of the Company with effect from 29 September 2018.

(v) Mr. Jin Jianlong retired as a Non-executive Director of the Company with effect from 18 May 2018.

(vi) Mr. Zeng Han was appointed as a Non-executive Director of the Company with effect from 18 May 2018.

(vii) Mr. Wong Chun Ho resigned as an Independent Non-executive Director of the Company with effect from 15 October 2018.

11 Directors' remuneration *(Continued)*

(viii) Mr. Wang Caiyong was appointed as an Independent Non-executive Director of the Company with effect from 1 October 2018.

(ix) Ms. Yien Yu Yu was appointed as an Independent Non-executive Director of the Company with effect from 15 October 2018.

(x) Mr. Liu Chunfeng resigned as an Executive Director and General Manager of the Company with effect from 27 October 2017.

The details of these benefits in kind, including the principal terms and number of options and restricted shares are disclosed under the section headed "Share Options" and "Restricted Share Award Scheme" in the Directors' Report and note 37.

12 Individuals with highest emoluments

The aggregate of the emoluments in respect of the five (2017: five) individuals with the highest emoluments, including one of the Directors (2017: none), are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**7,110**	9,673
Bonuses	**20,901**	9,122
Share-based payments	**1,727**	699
Retirement scheme contributions	**710**	586
	30,448	20,080

The emoluments of the five (2017: five) individuals with the highest emoluments, including one of the Directors (2017: none), are within the following bands:

	2018 Number of Individuals	2017 Number of Individuals
HKD2,000,001 – HKD2,500,000	**–**	1
HKD2,500,001 – HKD3,000,000	**1**	1
HKD4,000,001 – HKD4,500,000	**1**	1
HKD5,000,001 – HKD5,500,000	**–**	–
HKD6,500,001 – HKD7,000,000	**1**	2
HKD7,500,001 – HKD8,000,000	**–**	–
HKD10,000,001-HKD10,500,000	**2**	–

13 Dividends

Final dividend of RMB131,486,000 in relation to the year ended 31 December 2017 was paid in 2018 (no dividend was proposed or paid in relation to the year ended 31 December 2016).

A final dividend in respect of the year ended 31 December 2018 of HKD0.14 (equivalent to approximately RMB0.12) per share has been proposed by the Directors. The proposed final dividend in respect of 2018 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

14 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:

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**785,502**	420,077

	2018	2017
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,947,564,735**	1,939,576,170
Effect of dilutive potential ordinary shares in respect of the Company's share option and restricted award shares (note 37)	**23,669,201**	16,443,232
Weighted average number of shares for the purpose of diluted earnings per share	**1,971,233,936**	1,956,019,402

15 Segment reporting

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, which is the Group's chief operating decision-maker, for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments based on the economic characteristics of the business units.

- Clean energy: this segment specialises in the manufacture and sale of a wide range of equipment for the storage, transportation, processing and distribution of natural gas such as compressed natural gas trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG storage tanks, liquefied petroleum gas ("LPG") tanks, LPG trailers, natural gas refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas industry.

- Chemical and environmental: this segment specialises in the manufacture and sale of a wide range of equipment, such as tank containers, for the storage and transportation of liquefied or gasified chemicals.

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

15 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities

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

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

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

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

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

15 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

	Clean energy		Chemical and environmental		Liquid food		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue from external customers	6,027,083	4,958,683	3,768,279	3,026,389	3,198,237	2,686,204	12,993,599	10,671,276
Inter-segment revenue	43,424	14,348	132,484	119,437	–	–	175,908	133,785
Reportable segment revenue	6,070,507	4,973,031	3,900,763	3,145,826	3,198,237	2,686,204	13,169,507	10,805,061
Timing of revenue recognition								
At a point in time	5,538,532	4,555,511	3,900,763	3,145,826	–	–	9,439,295	7,701,337
Over time	531,975	417,520	–	–	3,198,237	2,686,204	3,730,212	3,103,724
Reportable segment profit (adjusted profit from operations)	350,590	109,567	537,152	433,959	514,245	339,249	1,401,987	882,775
Interest income from bank deposits	8,804	5,406	921	886	2,020	2,842	11,745	9,134
Interest expense	(3,475)	(4,270)	(12,050)	(10,770)	(96)	(957)	(15,621)	(15,997)
Depreciation and amortisation for the year	(195,512)	(157,215)	(27,417)	(40,984)	(55,530)	(56,392)	(278,459)	(254,591)
Reportable segment assets	9,871,736	9,200,987	2,375,174	1,873,827	3,087,411	2,915,838	15,334,321	13,990,652
Additions to non-current assets during the year	242,664	705,277	36,301	48,966	75,066	27,021	354,031	781,264
Reportable segment liabilities	4,702,290	4,307,024	1,299,790	1,007,373	2,250,282	1,856,260	8,252,362	7,170,657

15 Segment reporting *(Continued)*

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

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue		
Reportable segment revenue	**13,169,507**	10,805,061
Elimination of inter-segment revenue	**(175,908)**	(133,785)
Unallocated revenue	**58,052**	35,314
Consolidated revenue	**13,051,651**	10,706,590

	2018 RMB'000	2017 RMB'000 (Restated)
Profit		
Reportable segment profit	**1,401,987**	882,775
Elimination of inter-segment profit	**(87,727)**	(4,670)
Reportable segment profit derived from Group's external customers	**1,314,260**	878,105
Finance costs	**(73,577)**	(79,402)
Share of profits less losses of associates	**(4,094)**	(245)
Impairment provision	**–**	(105,549)
Unallocated operating income and expenses	**(216,173)**	(134,145)
Consolidated profit before taxation	**1,020,416**	558,764

	2018 RMB'000	2017 RMB'000 (Restated)
Assets		
Reportable segment assets	**15,334,321**	13,990,652
Elimination of inter-segment receivables	**(213,783)**	(249,202)
	15,120,538	13,741,450
Deferred tax assets	**107,333**	104,070
Unallocated assets	**625,483**	330,713
Consolidated total assets	**15,853,354**	14,176,233

15 Segment reporting *(Continued)*

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

	2018 RMB'000	2017 RMB'000 (Restated)
Liabilities		
Reportable segment liabilities	**8,252,362**	7,170,657
Elimination of inter-segment payables	**(213,783)**	(249,202)
	8,038,579	6,921,455
Income tax payable	**26,196**	38,014
Deferred tax liabilities	**169,235**	165,837
Unallocated liabilities	**1,073,550**	1,181,148
Consolidated total liabilities	**9,307,560**	8,306,454

(c) Geographic information

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

	Revenues from external customers		Specified non-current assets	
	2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
PRC (place of domicile)	**6,178,742**	5,286,136	**3,406,231**	3,321,352
United States	**1,601,365**	897,465	**49**	87
European countries	**1,708,032**	1,641,137	**446,552**	410,802
Asian countries (other than PRC)	**1,453,179**	1,308,558	**557**	1,031
Other American countries	**1,725,723**	1,280,914	**–**	–
Other countries	**384,610**	292,380	**–**	–
	6,872,909	5,420,454	**447,158**	411,920
	13,051,651	10,706,590	**3,853,389**	3,733,272

For the year ended 31 December 2018, there was no single external customer that accounted for 10% or more of the Group's total revenue (2017: none).

15 Segment reporting *(Continued)*

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2018 RMB'000	2017 RMB'000 (Restated)
Contract assets	**787,547**	1,051,728
Contract liabilities – Products	**1,464,091**	1,027,356
Contract liabilities – Project engineering contracts	**1,486,036**	1,141,231
Total contract liabilities	**2,950,127**	2,168,587

(i) Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has delivered several large-scale projects and the agreed payments have been settled in 2018.

Contract liabilities have increased as the Group has undertaken some new projects in the second half of the year 2018 and the completion progress of projects has not met the requirements to be recognised as revenue.

(ii) Revenue recognised in relation to contract liabilities

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

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Products	**930,343**	949,624
– Project engineering contracts	**729,320**	766,265

16 Property, plant and equipment

	Land and buildings RMB'000	Leasehold improve-ments RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2017	1,807,449	85	1,443,761	96,494	230,615	3,579,404
Additions	2,265	221	25,122	25,695	14,187	67,490
Disposals	–	–	(12,988)	(8,178)	(3,599)	(24,765)
Transfers from construction in progress (note 17)	68,815	–	102,494	–	–	171,309
Acquisition through business combination	368,475	–	10,134	29,986	13,695	422,290
Transfer to investment property (note 18)	(83,840)	–	–	–	–	(83,840)
Exchange adjustment	24,246	–	17,218	1,627	4,656	47,747
At 31 December 2017	2,187,410	306	1,585,741	145,624	259,554	4,178,635
At 1 January 2018	2,187,410	306	1,585,741	145,624	259,554	4,178,635
Additions	48,577	–	64,928	8,869	17,611	139,985
Disposals	(14,380)	–	(47,376)	(6,316)	(2,535)	(70,607)
Transfers from construction in progress (note 17)	33,620	–	78,964	4,958	10,259	127,801
Exchange adjustment	1,844	6	1,589	188	470	4,097
At 31 December 2018	**2,257,071**	**312**	**1,683,846**	**153,323**	**285,359**	**4,379,911**
Accumulated depreciation:						
At 1 January 2017	(431,798)	(85)	(762,313)	(63,340)	(172,458)	(1,429,994)
Charge for the year	(77,610)	(106)	(96,474)	(7,453)	(21,308)	(202,951)
Written back on disposals	–	–	4,068	4,034	1,906	10,008
Transfer to investment property (note 18)	64,859	–	–	–	–	64,859
Exchange adjustment	(9,659)	–	(15,299)	(1,031)	(4,239)	(30,228)
At 31 December 2017	(454,208)	(191)	(870,018)	(67,790)	(196,099)	(1,588,306)
At 1 January 2018	(454,208)	(191)	(870,018)	(67,790)	(196,099)	(1,588,306)
Charge for the year	(83,707)	(111)	(109,283)	(17,061)	(19,927)	(230,089)
Written back on disposals	12,286	–	35,947	5,433	2,424	56,090
Exchange adjustment	(530)	(5)	(1,433)	(128)	(426)	(2,522)
At 31 December 2018	**(526,159)**	**(307)**	**(944,787)**	**(79,546)**	**(214,028)**	**(1,764,827)**
Net book value:						
At 31 December 2018	**1,730,912**	**5**	**739,059**	**73,777**	**71,331**	**2,615,084**
At 31 December 2017	1,733,202	115	715,723	77,834	63,455	2,590,329

As at 31 December 2018, the Group was in the process of registering the title of buildings with net book value of RMB133,199,000 (2017: RMB126,730,000).

16 Property, plant and equipment *(Continued)*

Depreciation of the property, plant and equipment has been charged to the following categories in the consolidated income statement:

	2018 RMB'000	2017 RMB'000 (Restated)
Cost of sales	**199,472**	171,186
Selling expenses	**1,497**	1,381
Administrative expenses	**29,120**	30,384
	230,089	202,951

17 Construction in progress

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**129,917**	122,767
Additions	**146,726**	105,042
Acquisition through business combination	**–**	72,900
Transfers to property, plant and equipment	**(127,801)**	(171,309)
Exchange adjustment	**96**	517
At 31 December	**148,938**	129,917

18 Investment Property

	2018 RMB'000	2017 RMB'000 (Restated)
Cost:		
At 1 January	**83,840**	–
Transfers from owner-occupied property	**–**	83,840
Disposals	**(83,840)**	–
At 31 December	**–**	83,840
Accumulated depreciation:		
At 1 January	**(64,859)**	–
Transfers from owner-occupied property	**–**	(64,859)
Written back on disposals	**64,859**	–
At 31 December	**–**	(64,859)
Net book value:		
At 31 December	**–**	18,981

18 Investment Property *(Continued)*

The Group's property interest held under operating leases for the purpose of earning rentals is accounted for as investment property measured using the cost model. In 2018, the investment property located in the Netherlands was disposed and there was no investment property as at 31 December 2018.

19 Lease prepayments

	2018 RMB'000	2017 RMB'000 (Restated)
Cost:		
At 1 January	**599,597**	508,997
Acquisition through business combination	**–**	90,600
Additions	**83,005**	–
At 31 December	**682,602**	599,597
Accumulated amortisation:		
At 1 January	**(90,634)**	(78,821)
Charge for the year	**(14,427)**	(11,813)
At 31 December	**(105,061)**	(90,634)
Net book value:		
At 31 December	**577,541**	508,963

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 29 to 47 years as at 31 December 2018 (2017: 30 to 46 years).

20 Intangible assets

	Technical know-how RMB'000	Trade-name RMB'000	Trademarks RMB'000	Software RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:						
At 1 January 2017	279,728	64,324	225	6,444	27,000	377,721
Acquisition through business combination	–	–	–	–	20,000	20,000
Additions	1,739	–	–	11,965	–	13,704
Exchange adjustment	4,633	10,288	15	261	–	15,197
At 31 December 2017	286,100	74,612	240	18,670	47,000	426,622
At 1 January 2018	286,100	74,612	240	18,670	47,000	426,622
Additions	8,649	–	–	497	—	9,146
Exchange adjustment	675	430	1	51	–	1,157
At 31 December 2018	**295,424**	**75,042**	**241**	**19,218**	**47,000**	**436,925**
Accumulated amortisation:						
At 1 January 2017	(123,524)	(7,637)	(86)	(4,753)	(13,500)	(149,500)
Charge for the year	(29,895)	(4,678)	(44)	(1,096)	(4,783)	(40,496)
Exchange adjustment	347	(6,659)	(7)	(171)	–	(6,490)
At 31 December 2017	(153,072)	(18,974)	(137)	(6,020)	(18,283)	(196,486)
At 1 January 2018	(153,072)	(18,974)	(137)	(6,020)	(18,283)	(196,486)
Charge for the year	(24,535)	(1,849)	(42)	(824)	(7,700)	(34,950)
Exchange adjustment	(353)	(118)	(1)	(41)	–	(513)
At 31 December 2018	**(177,960)**	**(20,941)**	**(180)**	**(6,885)**	**(25,983)**	**(231,949)**
Net book value:						
At 31 December 2018	**117,464**	**54,101**	**61**	**12,333**	**21,017**	**204,976**
At 31 December 2017	133,028	55,638	103	12,650	28,717	230,136

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

21 Equity investments

Equity investments that are stated at fair value through other comprehensive income comprise the following individual investments:

	2018 RMB'000
CIMC Finance Company Ltd. ("CIMCFC")	**99,739**
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. ("Tongchuang")	**20,000**
Shenzhen CIMC Huijie Supply Chain Co., Ltd. ("Huijie")	**10,000**
At 31 December	**129,739**

These equity investments are not held for trading and the Group has irrevocably elected to reclassify these investments in this category at initial recognition. These are strategic investments and the Group considers this classification to be more relevant.

Name of entity	Date of investment	Initial investment cost	Place and date of Establishment/ incorporation	Authorised/registered paid-in capital	Proportion of ownership interest
CIMCFC	20 July 2018	RMB99,739,000	PRC 9 February 2010	Registered and paid-in capital of RMB920,000,000	7.01%
Tongchuang	16 August 2018	RMB20,000,000	PRC 22 March 2016	Registered and paid-in capital of RMB200,000,000	10.00%
Huijie	13 July 2018	RMB10,000,000	PRC 13 July 2018	Registered and paid-in capital of RMB100,000,000	10.00%

The changes in fair values of these investments from the date of investment to 31 December 2018 were insignificant. The fair values as at 31 December 2018 approximated their initial investment costs.

22 Investment in associates

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

	2018 RMB'000	2017 RMB'000
At 1 January	5,755	6,000
Share of post-tax loss of associates	(4,094)	(245)
At 31 December	1,661	5,755

Nature of investment in associates as at 31 December 2018 and 2017

Name of entity	Place and date of establishment	Registered/ paid-in capital	Proportion of ownership interest	Measurement method
Jiuquan Enric Kunlun Cryogenic Equipment Limited	PRC 15 August 2013	Registered and paid-in capital of RMB10,000,000	40%	Equity
Shanghai Tanklink Technology Development Co., Ltd.	PRC 12 March 2014	Registered and paid-in capital of RMB7,500,000	20%	Equity

There are no contingent liabilities relating to the Group's interest in associates.

23 Subsidiaries

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

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

23 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CIMC Enric (Jingmen) Energy Equipment Company Limited	PRC 16 July 2008	Registered and paid-in capital of HKD50,000,000	–	100%	Investment holding
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu") (i)	PRC 29 October 2004	Registered and paid-in capital of RMB100,000,000	–	80%	Manufacture and sale of specialised transportation equipment
Zhangjiagang Greenergy Cryogenic Engineering Company Limited ("Greenergy") (i)	PRC 2 November 2009	Registered and paid-in capital of RMB500,000	–	90%	Investment holding
Sound Winner Holdings Limited	British Virgin Islands 11 December 2007	Authorised capital of USD50,000 and paid-in capital of USD10,000	100%	–	Investment holding
Perfect Vision International Limited	British Virgin Islands 21 November 2007	Authorised capital of USD50,000 and paid-in capital of USD1	100%	–	Investment holding
Win Score Investments Limited	Hong Kong 29 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Charm Ray Holdings Limited	Hong Kong 28 January 2008	Paid-in capital of HKD10,000	100%	–	Investment holding
Nantong CIMC Tank Equipment Co., Ltd. ("Nantong Tank")	PRC 14 August 2003	Registered and paid-in capital of USD35,000,000	–	100%	Production and sales of tank containers
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("Sanctum")	PRC 7 December 1999	Registered and paid-in capital of RMB795,532,042 and RMB364,862,042 respectively	–	100%	Design, production, sales and technical service of cryogenic storage and transportation equipment
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd. ("Sanctum Special Equipment")	PRC 28 April 2009	Registered and paid-in capital of RMB30,000,000	–	100%	Manufacture and sale of pressure vessel

23 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Full Medal Limited	British Virgin Islands 8 August 2008	Authorised capital of USD50,000 and paid-in capital of USD100	100%	–	Investment holding
Coöperatie Vela Holding U.A.	The Netherlands 29 August 2008	Member capital and paid-in capital of EUR18,000	–	100%	Investment holding
CIMC Enric Tank and Process B.V.	The Netherlands 16 July 1976	Authorised capital of EUR20,000,000 and paid-in capital of EUR14,038,200	–	100%	Investment holding
Ziemann Holvrieka B.V.	The Netherlands 1 November 1963	Authorised and paid-in capital of EUR136,200	–	100%	Sales and engineering of tanks
Noordkoel B.V.	The Netherlands 20 October 1977	Authorised capital of EUR500,000 and paid-in capital of EUR100,000	–	100%	Manufacture of tanks
Ziemann Holvrieka International B.V.	The Netherlands 8 June 1961	Authorised capital of EUR682,500 and paid-in capital of EUR227,500	–	100%	Sales, engineering and manufacture of tanks
Ziemann Holvrieka N.V.	Belgium 1 April 1966	Authorised and paid-in capital of EUR991,574.10	–	100%	Sales, engineering and manufacture of tanks
Ziemann Holvrieka A/S	Denmark 2 March 1978	Registered and paid-in capital of DKK1,000,001	–	100%	Sales, engineering and manufacture of tanks
Enric Gas Equipment Yangzhou Company Limited	PRC 3 October 2010	Registered and paid-in capital of RMB12,000,000	–	100%	Repair and maintenance of pressure vessels
CIMC Enric Investment Holdings (Shenzhen) Limited	PRC 10 December 2010	Registered capital of USD80,000,000 and paid-in capital of USD48,160,000	–	100%	Investment holding

23 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI")	PRC 15 September 2001	Registered and paid-in capital of RMB88,000,000	–	100%	Provision of project engineering services
Nantong CIMC Energy Equipment Co., Ltd. ("Nantong Transport")	PRC 20 March 2007	Registered and paid-in capital of RMB69,945,000	–	100%	Manufacture and sales of special vehicles
Ziemann Holvrieka GmbH	Germany 18 June 2010	Authorised and paid-in capital of EUR16,000,000	–	100%	Sales, engineering and manufacturing of tanks
CIMC Enric SJZ Gas Equipment, INC.	United States of America 14 February 2013	Registered and paid-in capital of USD900,000	–	100%	Manufacture and sale of pressure vessels
Enric Management Limited	British Virgin Islands 30 May 2014	Authorised capital of 50,000 no par value shares and paid-in capital of RMB20,000	100%	–	Investment holding
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC 11 September 2014	Registered and paid-in capital of RMB20,000,000 and RMB10,000,000 respectively	–	100%	Manufacture and sale of pressure vessels
Ziemann Holvrieka Asia Co., Ltd.	PRC 20 December 2007	Registered and paid-in capital of USD47,700,000	–	100%	Manufacture and sale of tanks
Sichuan Jinke Cryogenic Engineering Co., Ltd. ("Jinke") (i)	PRC 6 August 2009	Registered capital of RMB14,000,000 and paid-in capital of RMB7,000,000	–	71%	Provision of integrated business solutions for gas equipment
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. ("Hashenleng") (i)	PRC 26 January 2010	Registered capital and paid-in capital of RMB50,000,000	–	60%	Provision of integrated business solutions for gas equipment

23 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Briggs Group Limited ("Briggs")	United Kingdom 21 February 2008	Paid-in capital of GBP50,001	–	100%	Investment holding
Briggs Holdings Limited	United Kingdom 21 April 1994	Paid-in capital of GBP787,525	–	100%	Investment holding
Briggs of Burton PLC	United Kingdom 27 November 1986	Paid-in capital of GBP142,397	–	100%	Process engineering
CIMC Enric Energy Engineering (S) Pte. Ltd. ("CEE")	Singapore 26 November 2014	Paid-in capital of SNG4,750,000	–	100%	Engineering and manufacture services for the oil and gas industry
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (formerly known as SinoPacific Offshore & Engineering Co., Ltd.)	PRC 17 November 2006	Registered and paid-in capital of RMB1,223,916,838 and RMB1,183,886,838 respectively	–	100%	Design and manufacture of liquified gas carriers and marine oil and gas module
Anjiehui Internet of Things Information Technology (Suzhou) Co., Ltd.	PRC 2 June 2017	Registered and paid-in capital of RMB3,000,000 and RMB1,500,000 respectively	–	100%	Information technology
Shanghai CIMC TZ Clean Energy Co., Ltd. ("ESH") (i)	PRC 9 February 2018	Registered and paid-in capital of RMB30,000,000 and RMB30,000,000 respectively	–	80%	Clean energy technology
CIMC Nantong Port Development Co., Ltd ("NYX", formerly known as Nantong Yongxin Logistics Co., Ltd.) (i)	PRC 7 July 2018	Registered and paid-in capital of RMB4,285,710 and RMB4,285,710 respectively	–	70%	Terminal and depot services
CIMC Eco Building Technology Co., Ltd. ("GCT") (i)	PRC 13 April 2018	Registered and paid-in capital of RMB60,000,000 and RMB56,650,000 respectively	–	70%	Processing of non-metallic scrap

23 Subsidiaries *(Continued)*

Name of company	Place and date of establishment/ incorporation	Authorised/registered/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CIMC Eco Building Technology (Lian Yun Gang) Co., Ltd. ("LYG") (i)	PRC 20 August 2018	Registered and paid-in capital of RMB35,000,000 and RMB35,000,000 respectively	–	56%	Research and development and manufacturing of environmental products
CIMC Environmental Technology Co., Ltd. ("ENV") (i)	PRC 12 November 2018	Registered and paid-in capital of RMB60,000,000 and RMB60,000,000 respectively	–	85.71%	Environmental related technology research and equipment manufacturing
CIMC Energy Equipment Service (Jiangsu) Co., Ltd. ("EFW") (i)	PRC 11 December 2018	Registered and paid-in capital of RMB15,000,000 and RMB15,000,000 respectively	–	70%	Detection and maintenance of gas cylinders for natural gas vehicles

(i) The Group's effective interests in Hongtu, Greenergy, Jinke, Hashenleng, ESH, NYX, GCT, LYG, ENV and EFW are 80%, 90%, 71%, 60%, 80%, 70%, 70%, 56%, 85.71% and 70% respectively.

24 Prepayment for acquisition of equity interests

	2018 RMB'000	2017 RMB'000 (Restated)
Prepayment for acquisition of equity interests	**50,000**	–

On 19 April 2018, EIHL, CIMC Financial Leasing (Hong Kong) Limited, CIMC Container Holding Co., Ltd. and Tianjin Jishun Machine Equipment Leasing Ltd. entered into an agreement to inject capital into CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. ("CIMC Qianhai"). Pursuant to the agreement, EIHL agreed to contribute RMB100,000,000 in cash to CIMC Qianhai in respect of the capital injection. As at 31 December 2018, EIHL has contributed RMB50,000,000 in cash to CIMC Qianhai and the remaining RMB50,000,000 was disclosed in capital commitment, see note 45(a).

25 Goodwill

	2018 RMB'000	2017 RMB'000 (Restated)
Cost		
At 1 January	**311,926**	317,528
Exchange adjustment	**10**	(5,602)
At 31 December	**311,936**	311,926
Less: Impairment provision (b)	**(55,087)**	(38,000)
Net book value	**256,849**	273,926

(a) Impairment tests for goodwill

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

	2018 RMB'000	2017 RMB'000 (Restated)
Sanctum	**8,297**	8,297
Nantong Tank	**7,265**	7,265
Hongtu	**27,221**	27,221
YPDI	**86,558**	86,558
Jinke	**-**	2,087
Hashenleng (b)	**48,443**	63,443
Briggs	**79,065**	79,055
At 31 December	**256,849**	273,926

For the significant amount of goodwill allocated to the CGU relating to YPDI, Hashenleng and Briggs, the key assumptions and discount rate used in the value-in-use calculations in 2018 and 2017 are as follows.

	YPDI		Hashenleng		Briggs	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Revenue (average annual growth rate)	**12%**	12%	**15%**	14%	**2%**	1%
Gross margin (% of revenue)	**10%**	10%	**19%**	21%	**27%**	27%
Other operating costs (RMB'000)	**24,550**	27,217	**29,144**	27,836	**38,433**	37,865
Pre-tax discount rate	**14.67%**	13.14%	**12.94%**	11.51%	**14.44%**	14.63%

25 Goodwill *(Continued)*

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

Revenue refers to the average annual growth rate over the five-year forecast period. It is based on the CGU's growth forecasts and the average long-term growth rate for the relevant industry.

Gross margin refers to the average margin as a percentage of revenue over the five-year forecast period. It is determined based on the CGU's past performance and their expectations for market development.

Other operating costs are forecast on the current structure of the business, adjusted for inflationary increases but not the effect of any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

(b) Impairment charge

As at 31 December 2018, an impairment provision of RMB53,000,000 arose in the CGU of Hashenleng and an impairment provision of RMB2,087,000 arose in the CGU of Jinke, resulting in the carrying amounts of the CGUs being written down to the recoverable amounts. If the budgeted gross profit used in the value-in-use calculation for Hashenleng represents 95% of management's estimates for the year ended 31 December 2018, the Group would have recognised a further impairment of RMB37,000,000.

26 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2018 RMB'000	2017 RMB'000 (Restated)
Raw materials	**1,005,536**	1,052,718
Consignment materials	**133,038**	150,387
Work in progress	**1,664,385**	1,094,756
Finished goods	**1,061,992**	755,713
	3,864,951	3,053,574

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

	2018 RMB'000	2017 RMB'000 (Restated)
Cost of inventories sold	**7,263,356**	6,034,910
Write-down of inventories	**65,473**	37,044
Reversal of write-down of inventories	**(6,622)**	(14,648)
	7,322,207	6,057,306

27 Trade and bills receivables

	2018 RMB'000	2017 RMB'000 (Restated)
Trade and bills receivables	**3,279,222**	3,235,025
Less: allowance for doubtful debts	**(267,489)**	(254,980)
	3,011,733	2,980,045

(a) Ageing analysis

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

	2018 RMB'000	2017 RMB'000 (Restated)
Current	**1,888,773**	1,718,886
Less than 3 months past due	**665,305**	622,905
More than 3 months but less than 12 months past due	**176,244**	282,535
More than 1 year but less than 2 years past due	**134,326**	132,725
More than 2 years but less than 3 years past due	**51,898**	161,695
More than 3 years past due	**95,187**	61,299
Amounts past due	**1,122,960**	1,261,159
	3,011,733	2,980,045

Trade and bills receivables are expected to be recovered within one year. In general, debts are due for payment upon billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis. Further details on the Group's credit policy are set out in note 2(e)(ii).

(b) Fair values of trade receivables

The carrying amounts of the Group's notes and trade receivables as at 31 December 2018 and 31 December 2017 approximate their fair values.

27 Trade and bills receivables *(Continued)*

(c) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB10,803,000 for trade receivables. Note 5(a) provides for details about the calculation of the allowance.

The loss allowance increased by RMB1,706,000 from RMB265,783,000 as at 1 January 2018 to RMB267,489,000 as at 31 December 2018 for trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 5.

28 Deposits, other receivables and prepayments

	2018 RMB'000	2017 RMB'000 (Restated)
Receivable from the Vendors (i)	**178,634**	178,634
Less: Impairment provisions for receivables from the Vendors (i)	**(178,634)**	(178,634)
Advances to suppliers	**276,105**	219,959
Deposits for tenders and contract work	**106,086**	163,495
Staff advances	**14,460**	12,785
Deductible input value-added tax	**146,427**	51,844
Prepayments for services	**13,509**	9,106
Others	**60,173**	59,753
	616,760	516,942

(i) As disclosed in note 9, the Company terminated the Agreement and requested the Vendors to return the prepaid consideration of RMB178,634,000 because the Vendors had breached certain material terms of the Agreement.

The Group made a full provision of RMB178,634,000 for the receivable from the Vendors as at 31 December 2016.

The carrying amount of deposits, other receivables and prepayments approximate their fair values.

29 Restricted bank deposits

	2018 RMB'000	2017 RMB'000 (Restated)
Deposits for banking facilities	**364,971**	265,592

30 Cash and cash equivalents

	2018 RMB'000	2017 RMB'000 (Restated)
Cash in hand and demand deposits	**2,856,972**	2,248,341
Restricted bank deposits within three months of maturity	**73,299**	11,549
	2,930,271	2,259,890

31 Derivative financial instruments

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

	2018		2017	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000 (Restated)	Liabilities RMB'000 (Restated)
Forward foreign exchange contracts – held for trading	**1,749**	**3,515**	298	–

At 31 December 2018 and 2017, the Group held forward foreign currency contracts to manage the currency risk on expected future payments to suppliers for which the Group has firm commitments.

32 Bank loans

(a) At 31 December 2018, the bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Within 1 year	**477,787**	1,390,308
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**686,320**	–
	1,164,107	1,390,308

(b) At 31 December 2018, all the bank loans were unsecured. None of the Group's bank loans were under the terms of cross-guarantee provided by the subsidiaries of the Company (2017: None).

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

	2018 RMB'000	2017 RMB'000 (Restated)
RMB	**310,000**	337,500
US dollar	**789,268**	803,707
Hong Kong dollar	**64,839**	249,101
	1,164,107	1,390,308

(d) All of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5(b).

33 Trade and bills payables

	2018 RMB'000	2017 RMB'000 (Restated)
Trade creditors	**2,233,046**	2,143,575
Bills payables	**478,262**	289,359
	2,711,308	2,432,934

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

	2018 RMB'000	2017 RMB'000 (Restated)
Within 3 months	**2,210,205**	2,139,727
3 months to 12 months	**305,635**	186,677
Over 12 months	**195,468**	106,530
	2,711,308	2,432,934

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

34 Other payables and accrued expenses

	2018 RMB'000	2017 RMB'000 (Restated)
Payables for construction work	**29,734**	36,990
Accrued expenses	**590,545**	521,096
Employees' salary, bonus and welfare	**318,653**	243,974
Other surcharges payable	**9,530**	16,206
Other taxes payable	**48,454**	60,155
Deposits received	**114,265**	92,554
Payables to SOE's creditors	**216,839**	304,625
Payables in relation to restricted share award scheme (note 37)	**144,977**	–
Others	**52,318**	38,209
	1,525,315	1,313,809

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

35 Warranty provision

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**266,365**	82,087
Additional provision made	**59,490**	116,038
Acquisition through business combination	**–**	99,997
Provisions utilised	**(40,672)**	(34,601)
Exchange adjustment	**1,030**	2,844
At 31 December	**286,213**	266,365
Represented by:		
Current portion	**199,902**	84,099
Non-current portion	**86,311**	182,266
Balance at 31 December	**286,213**	266,365

The Group provides one to three year warranty period for certain products. Provision is made for the best estimate of the expected settlement within the warranty period under this arrangement in respect of sales made prior to the balance sheet date. The amount of provision has taken into account the Group's recent claim experience.

36 Other borrowings

Other borrowings represents the Group's obligation arising from a sale and leaseback transaction where the lease is regarded as a finance lease. Management considers that the transaction is a means whereby the lessor provides finance to the Group, with the asset as security. The borrowing is paid by instalments within five years.

	2018 RMB'000
Payments in relation to other borrowings as follows:	
Within one year	8,760
Later than one year but not later than two years	9,079
Later than two years but not later than three years	9,389
Later than three years	5,957
Total payments	33,185
Future finance charges	(1,787)
Total other borrowings	31,398
The present value of other borrowings is as follows:	
Within one year	8,305
Later than one year but not later than two years	8,524
Later than two years but not later than three years	8,744
Later than three years	5,825
Total other borrowings	31,398

37 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee on acceptance of share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 31 December 2018, no option under Scheme II was granted.

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

(a) Share option scheme *(Continued)*

(i) The terms and conditions at the date of grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 11 November 2009	6,100,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– on 28 October 2011	3,150,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	2,700,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 11 November 2009	37,650,000	50% after one year and 50% after two years from the date of grant	10 years commencing on the date of grant
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	35,720,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	120,370,000		

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

(a) Share option scheme *(Continued)*

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

	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price (Restated)	Number of options (Restated)
Outstanding at the beginning of the year	**HKD6.88**	**76,374,000**	HKD6.65	83,572,000
Forfeited during the year	**HKD11.24**	**(345,000)**	HKD11.24	(417,000)
Exercised during the year	**HKD3.12**	**(8,134,000)**	HKD3.07	(5,814,000)
Lapsed during the year	**HKD11.24**	**(1,345,000)**	HKD11.24	(967,000)
Outstanding at the end of the year	**HKD7.23**	**66,550,000**	HKD6.88	76,374,000
Exercisable at the end of the year		**66,550,000**		65,850,000

The options outstanding at 31 December 2018 had an exercise price of HKD4.00, HKD2.48 and HKD11.24 (2017: HKD4.00, HKD2.48 and HKD11.24) and a weighted average remaining contractual life of 3.486 years (2017: 4.486 years).

(iii) Fair value of share options and assumptions

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

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

(a) Share option scheme *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

Fair value of share options and assumptions

Date granted	11 November 2009	28 October 2011	5 June 2014
Fair value at measurement date	HKD1.64	HKD1.02	HKD4.70
Share price	HKD4.00	HKD2.48	HKD11.00
Exercise price	HKD4.00	HKD2.48	HKD11.24
Expected volatility	64.78%	55.98%	45.89%
Option life	10 years	10 years	10 years
Expected dividends	0.68%	2.67%	1.55%
Risk-free interest rate	2.24%	1.57%	2.04%

(iv) Fair value of share options and assumptions

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

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

(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.

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

(b) Restricted share award scheme *(Continued)*

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

Under the terms of the Award Scheme, if the vesting conditions are fulfilled, the restricted shares shall be vested by 30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively.

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

	Number of awarded shares
Granted during the year	46,212,500
Outstanding as at 31 December 2018	46,212,500

The fair value of the restricted shares issued was assessed based on the market price of the Company's shares at the grant date. The expected dividends and time value of money for the expected dividends during the vesting period were taken into account when assessing the fair value of the restricted shares.

The weighted average fair value of restricted shares granted during the year ended 31 December 2018 was HKD6.70 per share (equivalent to approximately RMB5.67 per share).

38 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet:

	2018 RMB'000	2017 RMB'000 (Restated)
Current tax payable at the beginning of the year	**38,014**	50,425
Provision for income tax on profit for the year	**233,252**	181,888
Current tax paid	**(245,170)**	(196,338)
Exchange adjustment	**100**	2,039
Current tax payable at the end of the year	**26,196**	38,014

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

(b) Deferred tax assets and liabilities recognised:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Deferred tax assets recognised on the consolidated balance sheet	**107,333**	104,070
Deferred tax liabilities recognised on the consolidated balance sheet	**(169,235)**	(165,837)
Deferred tax liabilities (net)	**(61,902)**	(61,767)

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

	Provision for impairment losses RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Provision for product warranties RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Amortisation of intangible assets RMB'000	Accrued expenses RMB'000	Movements of fair value of liabilities held for trading RMB'000	Gains on disposal of land and buildings RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Tax losses RMB'000	Gains on debt restructuring RMB'000	Total RMB'000
At 1 January 2017	47,000	(56,002)	10,131	(2,909)	(313)	27,536	1,498	1,826	(63,338)	4,602	-	(29,969)
Credited/(charged) to the income statement	2,169	19,708	549	1,076	-	1,825	(1,543)	(908)	(5,852)	28,998	-	46,022
Addition through business combination	332,486	(19,423)	24,999	-	-	-	-	-	-	159,154	(568,686)	(71,470)
Exchange adjustment	-	(2,027)	-	-	-	-	-	103	(4,426)	-	-	(6,350)
At 31 December 2017	381,655	(57,744)	35,679	(1,833)	(313)	29,361	(45)	1,021	(73,616)	192,754	(568,686)	(61,767)
At 1 January 2018	**381,655**	**(57,744)**	**35,679**	**(1,833)**	**(313)**	**29,361**	**(45)**	**1,021**	**(73,616)**	**192,754**	**(568,686)**	**(61,767)**
(Charged)/credited to the income statement	**(144,804)**	**8,845**	**(25,733)**	**(985)**	**-**	**4,387**	**259**	**269**	**(18,958)**	**(55,468)**	**227,474**	**(4,714)**
Adjustment on adaption HKFRS 9 (note 2(e)(ii))	**2,701**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,701**
Adjustment on adaption HKFRS 15 (note 2(e)(iii))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,520**	**-**	**-**	**2,520**
Exchange adjustment	**-**	**(135)**	**-**	**-**	**-**	**-**	**-**	**7**	**(514)**	**-**	**-**	**(642)**
At 31 December 2018	**239,552**	**(49,034)**	**9,946**	**(2,818)**	**(313)**	**33,748**	**214**	**1,297**	**(90,568)**	**137,286**	**(341,212)**	**(61,902)**

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

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB268,826,000 (2017: RMB213,154,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation. Tax losses of approximately RMB1,484,000, RMB42,517,000, RMB66,530,000, RMB89,929,000 and RMB68,366,000 will expire in 2019, 2020, 2021, 2022 and 2023 respectively.

39 Deferred income

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**254,048**	264,650
Additions	**8,000**	–
Recognised in the income statement	**(13,402)**	(10,602)
At 31 December	**248,646**	254,048

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

40 Employee benefit liabilities

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

41 Capital and reserves

(a) Share capital

	2018 Number of shares	2018 RMB'000	2017 Number of shares (Restated)	2017 RMB'000 (Restated)
Authorised:				
Ordinary shares of the Company of HKD0.01 each (i)	**10,000,000,000**		10,000,000,000	
Non-redeemable convertible preference shares of the Company of HKD0.01 each (ii)	**2,000,000,000**		2,000,000,000	
Issued and fully paid:				
Ordinary shares				
At 31 December	**1,996,998,588**	**18,253**	1,942,652,088	17,793

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

	2018 Number of shares of HKD0.01 each	2018 RMB'000	2017 Number of shares of HKD0.01 each (Restated)	2017 RMB'000 (Restated)
At 1 January	**1,942,652,088**	**17,793**	1,936,838,088	17,743
Exercise of share options (note 37)	**8,134,000**	**69**	5,814,000	50
Restricted share award scheme (note 37)	**46,212,500**	**391**	–	–
At 31 December	**1,996,998,588**	**18,253**	1,942,652,088	17,793

41 Capital and reserves *(Continued)*

(a) Share capital *(Continued)*

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

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

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 26 June 2009, the Company's authorised share capital was increased from HKD100,000,000 to HKD120,000,000 by the creation of 2,000,000,000 non-redeemable convertible preference shares ("Convertible Preference Shares") of HKD0.01 each.

The Convertible Preference Shares are non-redeemable by the Company. The holders of the Convertible Preference Shares ("Convertible Preference Shareholders") may request the Company to convert one Convertible Preference Share into one ordinary share during the period from the date of allotment and issue of the Convertible Preference Shares to the date the Company passes a voluntary winding up resolution or is otherwise placed into liquidation. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of paid-up amounts of the Convertible Preference Shares, and the Convertible Preference Shareholders shall not have the right to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the Convertible Preference Shares.

41 Capital and reserves *(Continued)*

(a) Share capital *(Continued)*

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

As at 31 December 2018 and 2017, no convertible preference shares of the Company were issued.

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

The contributed surplus of the Group includes the difference between

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

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

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

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

(e) the nominal value of the share capital of Burg Service B.V. acquired of RMB1,263,000; and the aggregate cash consideration paid by the Company of RMB11,737,000 for the acquisition of Burg Service B.V. during the year ended 31 December 2015.

(iii) Capital reserve

The capital reserve of the Group includes

(a) the portion of the grant date fair value of unexercised share options and restricted award shares granted to Directors, employees and other eligible persons of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments;

(b) the capital reserve arising from the transactions with non-controlling interests (Note 47).

41 Capital and reserves *(Continued)*

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

(iv) Exchange reserve

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

(v) General reserve fund

The Group's wholly-owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital of the respective subsidiaries. The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

The Group's subsidiary in Belgium is required to set up a legal reserve of 10% of share capital in accordance with the Belgiam Law. The legal reserve is not distributable.

(vi) Distributable reserves

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

At 31 December 2018, the Company had RMB5,343,274,000 available for distribution to equity shareholders of the Company (2017: RMB5,334,681,000).

(vii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group regards net debt as total debt (which includes bank loans, trade and bills payables, other payables, other borrowings and accrued expenses and amounts due to related parties) less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

41 Capital and reserves *(Continued)*

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

(vii) Capital management *(Continued)*

Consistent with the Group's capital management strategy in 2017, the Group aims to maintain the net debt to adjusted capital ratio within 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to adjusted capital ratio is as follows:

	Note	2018 RMB'000	2017 RMB'000 (Restated)
Current liabilities			
Bank loans	32	**477,787**	1,390,308
Loans from related parties	46(e)	**35,000**	105,000
Trade and bills payables	33	**2,711,308**	2,432,934
Contract liabilities	15(d)	**2,950,127**	2,168,587
Other payables and accrued expenses	34	**1,525,315**	1,313,809
Amounts due to related parties	46(d)	**151,699**	127,712
Other borrowings	36	**8,305**	8,163
		7,859,541	7,546,513
Non-current liabilities			
Bank loans	32	**686,320**	–
Other borrowings	36	**23,093**	31,444
Total debt		**8,568,954**	7,577,957
Less: Cash and cash equivalents	30	**(2,930,271)**	(2,259,890)
Net debt		**5,638,683**	5,318,067
Total equity		**6,545,794**	5,869,779
Less: Proposed dividends	13	**(239,650)**	(129,911)
Adjusted capital		**6,306,144**	5,739,868
Net debt to adjusted capital ratio		**89%**	93%

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

42 Retirement benefits

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

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

43 Reconciliation of liabilities arising from financing activities

This section sets out reconciliation of liabilities arising from financing activities for the period presented.

	Liabilities from financing activities					
	Bank loans due within 1 year	Bank loans due after 1 year	Loans from related parties due within 1 year	Other borrowings due within 1 year	Other borrowings due after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2017	(1,390,308)	–	(105,000)	(8,163)	(31,444)	(1,534,915)
Cash flows	932,533	(662,610)	70,000	8,209	–	348,132
Foreign exchange adjustments	(20,012)	(23,710)	–	–	–	(43,722)
Other non-cash movements	–	–	–	(8,351)	8,351	–
Net debt as at 31 December 2018	(477,787)	(686,320)	(35,000)	(8,305)	(23,093)	(1,230,505)

44 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 claims, amongst other things, that EIHL should pay for the remaining balance of the equity transfer of RMB153,456,000 in relation to the acquisition of equity interest in SOE from SOEG in 2015 as set out in note 9.

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

The case has been accepted by the Jiangsu Province High People's Court and EIHL has filed an objection to jurisdiction. The time for first instance has not yet been determined.

The Directors of the Company were of the view that no provision shall be necessary on the litigation claims as at 31 December 2018 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 for customer's purchase of the Group's product. As at 31 December 2018, the maximum amount of guarantee provided was approximately RMB27,890,000. The Directors of the Company have determined that no provision for the outstanding amount is required as the third party has no history of default and the guarantee provided represents a contingent liability.

45 Commitments

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements are as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Contracted for		
– Production facilities	**43,485**	52,649
– Capital injection for equity investments (note 24)	**50,000**	–
	93,485	52,649

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Within 1 year	**35,133**	12,477
After 1 year but within 5 years	**12,626**	14,221
After 5 years	**12,038**	11,444
	59,797	38,142

The Group leases a number of 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 leases when all terms are renegotiated. None of the leases include contingent rentals.

46 Material related party transactions

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions

		2018 RMB'000	2017 RMB'000 (Restated)
Sales	(i)	**160,172**	281,723
Purchases	(ii)	**293,226**	201,442
Comprehensive charges	(iii)	**5,192**	4,751
Processing charges	(iv)	**21,957**	14,360
Processing income	(v)	**279**	186
Office services income	(vi)	**1,478**	1,147
Loans from related parties	(vii)	**317,750**	408,000
Repayment of loans from related parties	(vii)	**387,750**	1,178,000
Loan interest expenses	(vii)	**10,119**	23,955
Other financing services charges	(viii)	**–**	209
Deposit service	(ix)	**528,211**	358,153
Interest income from deposits	(ix)	**4,037**	3,097
Guarantee	(x)	**–**	79,902

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 1.75% to 4.44% (2017: 1.75% to 4.60%) per annum and are repayable within one year.

(viii) Other financing services charges mainly represent commercial notes acceptance and discounting service provided to the Group by a related party.

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

(x) Guarantee represents the maximum amount of bank guarantee provided by the Group to its customers on behalf of the Group and certain related parties.

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

46 Material related party transactions *(Continued)*

(b) Transactions with a Group's associate

Nature of transactions

		2018 RMB'000	2017 RMB'000 (Restated)
Consultancy fee charges	(i)	–	3,967

Note:

(i) Consultancy fee charges mainly represent consultancy fee paid by CEE to an associate of the Group.

(c) Remuneration for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 11, certain highest paid employees as disclosed in note 12 and other key management personnel is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Short-term employee benefits	**30,250**	29,424
Share-based compensation benefits	**8,317**	3,525
	38,567	32,949

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

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

	2018 RMB'000	2017 RMB'000 (Restated)
Trade receivables for products sold	**183,251**	186,087
Trade payables for raw material purchased and receipts in advance for sales	**(151,699)**	(127,712)

Notes:

(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.

46 Material related party transactions *(Continued)*

(e) Loans from related parties

	2018 RMB'000	2017 RMB'000 (Restated)
Loans from related parties	**35,000**	105,000

Note:

(i) The loans are unsecured, interest bearing from 1.75% to 4.44% (2017: 1.75% to 4.60%) per annum and are repayable within one year.

(f) Deposits placed with a related party

	2018 RMB'000	2017 RMB'000 (Restated)
Deposits	**528,211**	358,153

Notes:

(i) The deposits bear interest and can be withdrawn on demand.

(ii) The deposits are included as part of the Group's cash and cash equivalents (note 30).

47 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

On 31 July 2018, SOE, a subsidiary of the Company entered into a sale and purchase agreement with the non-controlling shareholders of CEE, pursuant to which, SOE would purchase 30% of ordinary shares of CEE held by the non-controlling shareholders at a consideration of SGD 8 ("Transaction 1").

On 31 August 2018, Transaction 1 was completed and the carrying amount of the non-controlling interests of CEE was negative RMB5,460,000. The Group recognised an increase in non-controlling interests of RMB5,460,000 and a decrease in capital reserve of the Group of RMB5,460,000. The effect of changes in the ownership interest in CEE on the equity attributable to shareholders of the Company during the year is summarised as follows:

	RMB'000
Consideration paid to non-controlling interests	–
Carrying amount of non-controlling interests acquired	(5,460)
Excess of consideration paid by the Group recognised within equity	(5,460)

As at 31 December 2018, the consideration had been fully settled.

(b) Change in ownership interests in a subsidiary without change of control

On 28 June 2018, ZHA, a subsidiary of the Company entered into a capital increase agreement with Nantong Kang Ji Business Management Partnership (limited partnership) ("Nantong Kangji"), pursuant to which Nantong Kangji subscribed for 30% of equity interest in NYX at a consideration of RMB3,857,000 by way of cash injection in NYX (the "Transaction 2").

On 24 August 2018, Transaction 2 was completed and the carrying amount of the non-controlling interests in NYX was RMB1,286,000. The Group recognised an increase in non-controlling interests of RMB1,286,000 and an increase in capital reserve of the Group of RMB2,571,000. The effect of changes in the ownership interest of NYX on the equity attributable to shareholders of the Company during the year is summarised as follows:

	RMB'000
Consideration received from non-controlling interests	3,857
Carrying amount of the net assets attributed to non-controlling interests	(1,286)
Excess of consideration paid by non-controlling interests and recognised within equity	2,571

48 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**4,963,389**	4,735,160
Current assets		
Other receivables	**1,734**	248
Amounts due from subsidiaries	**2,608,168**	2,634,403
Cash and cash equivalents	**12,024**	43,960
	2,621,926	2,678,611
Current liabilities		
Bank loans	**64,839**	1,052,808
Other payables and accrued expenses	**157,322**	12,813
Amounts due to subsidiaries	**1,121,739**	817,977
	1,343,900	1,883,598
Net current assets	**1,278,026**	795,013
Total assets less current liabilities	**6,241,415**	5,530,173
Non-current liabilities		
Bank loans	**686,320**	–
NET ASSETS	**5,555,095**	5,530,173
CAPITAL AND RESERVES		
Share capital	**18,253**	17,793
Reserves	**5,536,842**	5,512,380
TOTAL EQUITY	**5,555,095**	5,530,173

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

(b) Reserve movement of the Company

	Share premium RMB'000 41(b)(i)	Shares held for share award scheme RMB'000 37(b)	Contributed surplus RMB'000 41(b)(ii)	Capita reserve RMB'000 41(b)(iii)	Exchange reserve RMB'000 41(b)(iv)	Retained Earnings RMB'000	Total RMB'000
At 1 January 2017	147,005	–	4,903,654	171,748	(87,409)	200,643	5,335,641
Total comprehensive income for the year	–	–	–	–	(250,400)	395,399	144,999
Transfer to retained earnings	–	–	–	(3,892)	–	3,892	–
Issuance of shares in connection with exercise of share options	21,897	–	–	(6,481)	–	–	15,416
Equity-settled share-based transactions (note 37)	–	–	–	16,324	–	–	16,324
At 31 December 2017 and 1 January 2018	**168,902**	**–**	**4,903,654**	**177,699**	**(337,809)**	**599,934**	**5,512,380**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**188,482**	**(81,366)**	**107,116**
Transfer to retained earnings	**–**	**–**	**–**	**(5,279)**	**–**	**5,279**	**–**
Issuance of shares in connection with exercise of share options	**30,189**	**–**	**–**	**(8,812)**	**–**	**–**	**21,377**
Issuance of ordinary shares in connection with share award scheme	**142,472**	**(144,977)**	**–**	**–**	**–**	**–**	**(2,505)**
Equity-settled share-based transactions (note 37)	**–**	**–**	**–**	**29,960**	**–**	**–**	**29,960**
2017 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(131,486)**	**(131,486)**
At 31 December 2018	**341,563**	**(144,977)**	**4,903,654**	**193,568**	**(149,327)**	**392,361**	**5,536,842**

49 Immediate and ultimate controlling party

At 31 December 2018 and 2017, the Directors consider the immediate parent of the Company to be China International Marine Containers (Hong Kong) Limited ("CIMC HK"), which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2018 and 2017, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC. This entity produces financial statements available for public use.

50 Events occurring after the balance sheet date

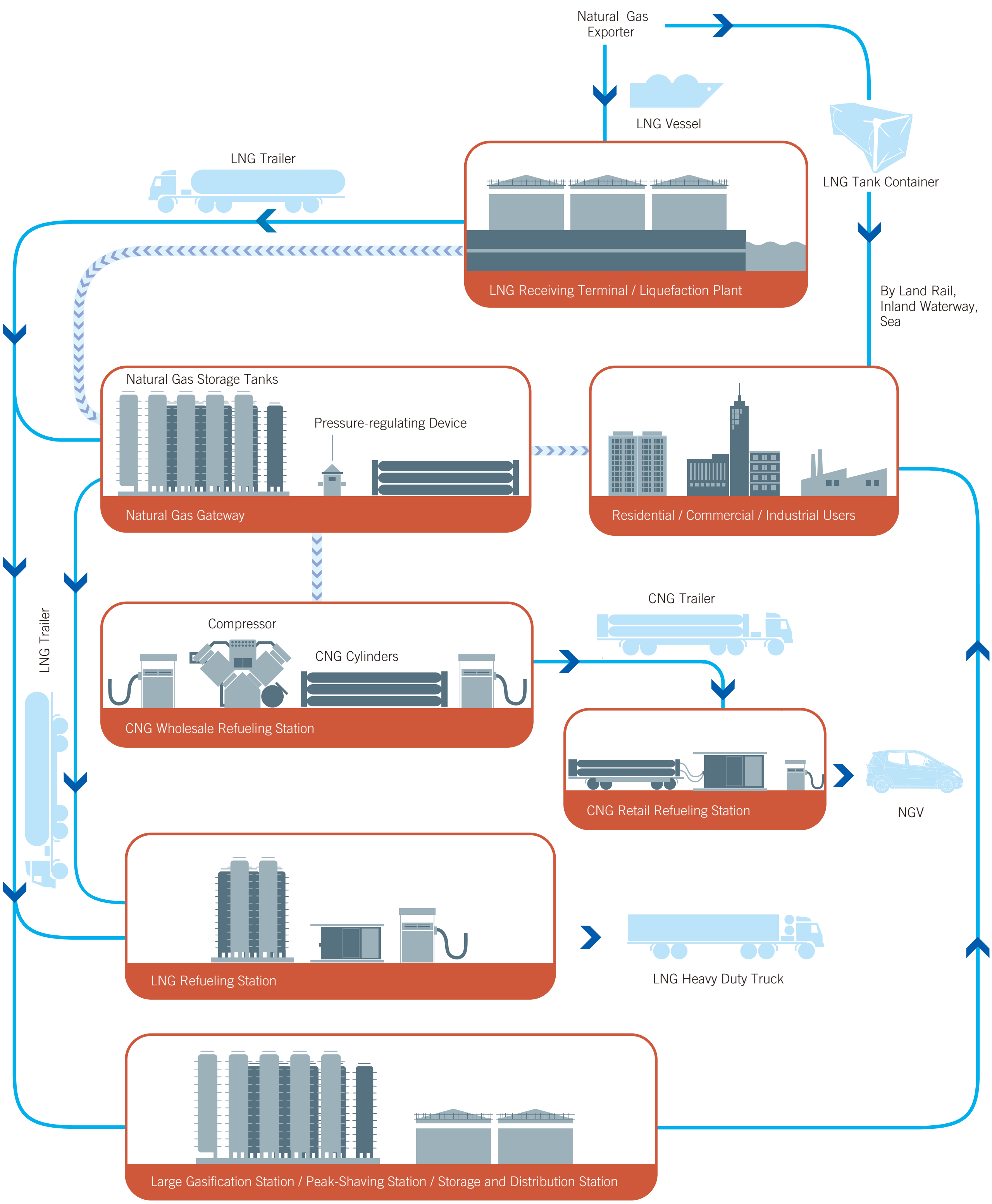
On 5 March 2019, CIMC Enric Tank and Process B.V., an indirect wholly-owned subsidiary of the Company, completed the purchase of selected assets from the receiver of DME Group. DME Group, based in Canada, was a designer and manufacturer of equipment for the craft brewing sector, especially in North America. As the Agreement with the receiver was entered into in 2019, this event has no influence on the financial statements for the year end 31 December 2018.

GLOSSARY

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

"AGM"	the annual general meeting of the Company
"Articles"	articles of association of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Charm Wise"	Charm Wise Limited
"CIMC"	中國國際海運集裝箱(集團)股份有限公司 China International Marine Containers (Group) Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange
"CIMC Group"	CIMC and its subsidiaries (excluding members of the Group) and associates
"CIMC HK"	China International Marine Containers (Hong Kong) Limited 中國國際海運集裝箱(香港)有限公司
"CNG"	compressed natural gas
"Company/CIMC Enric"	CIMC Enric Holdings Limited
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SOE"	Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd 南通中集太平洋海洋工程有限公司 (formerly known as SinoPacific Offshore & Engineering Co., Ltd)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

NATURAL GAS TRANSPORTATION, STORAGE AND DISTRIBUTION



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