CIMC ENRIC

CIMC Enric Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

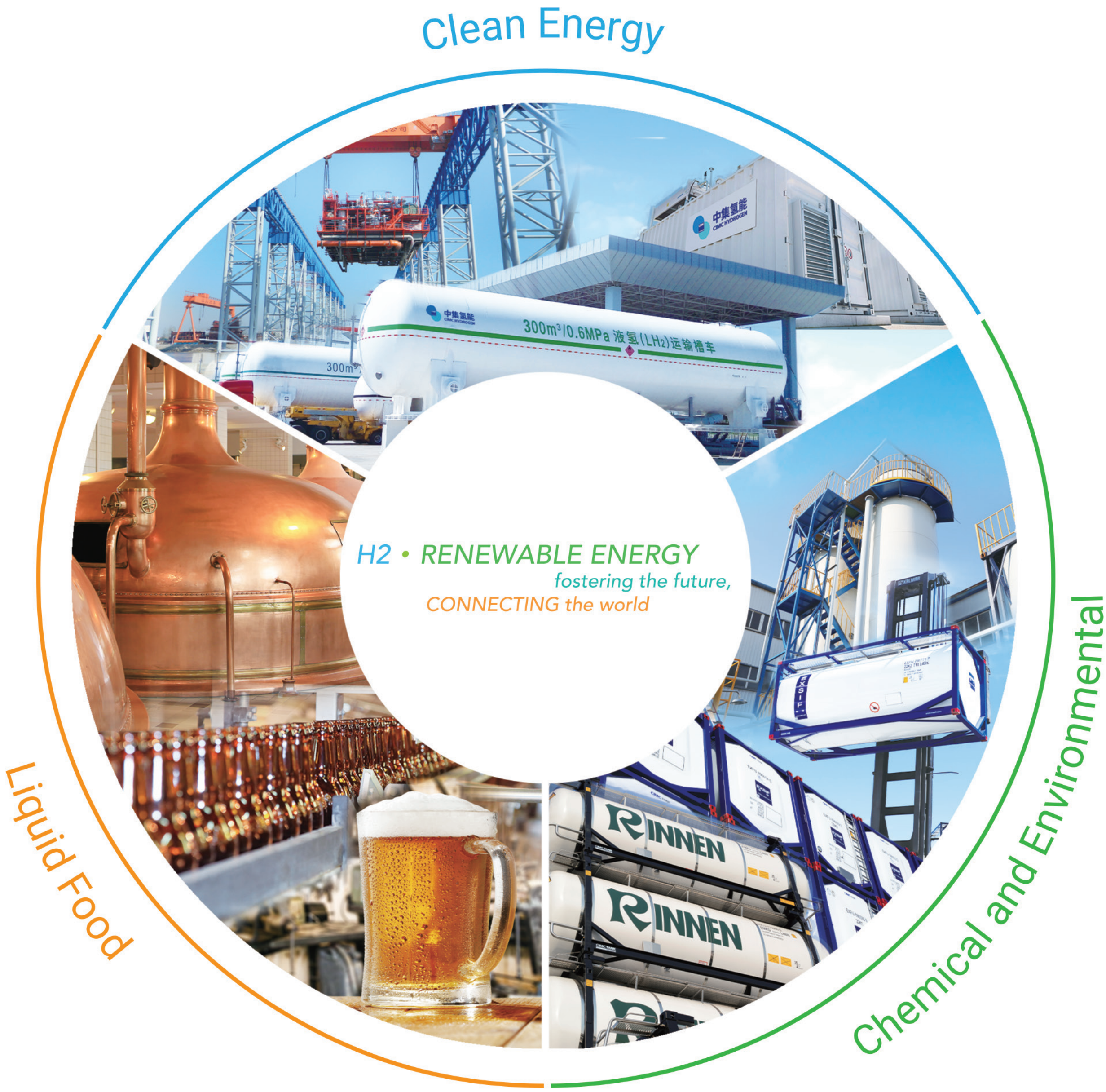
Stock Code : 3899

H2 • RENEWABLE ENERGY

fostering the future,

CONNECTING the world

Annual Report **2022**

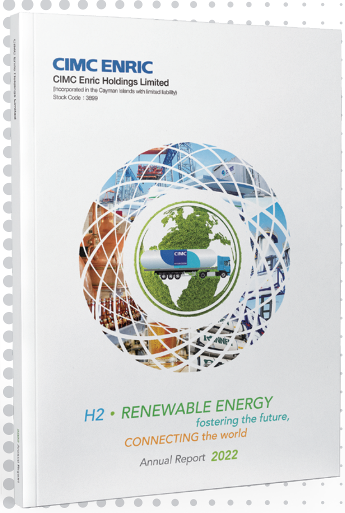

Clean Energy
Chemical and Environmental
Liquid Food
H2 • RENEWABLE ENERGY
fostering the future,
CONNECTING the world
300m³/0.6MPa 液氢(LH2)运输槽车
RINNEN
RINNEN

Vision

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

Mission

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



About Us

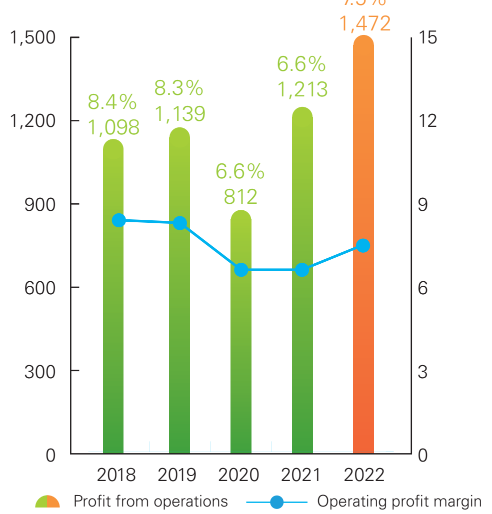
Founded in 2004, CIMC Enric Holdings Limited, one of the members of the CIMC Group, has been listed on the Hong Kong Stock Exchange since 2005. The Company is principally engaged in the provision of key equipment, engineering service and integrated solutions for transportation, storage and processing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

CONTENTS

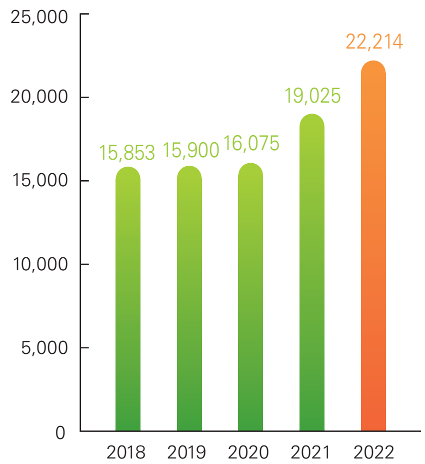
FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**19,601,761**	18,424,763	12,289,567	13,743,019	13,051,651
Profit from operations	**1,472,288**	1,212,559	811,991	1,138,573	1,098,087
Finance costs	**(80,470)**	(70,425)	(44,730)	(62,132)	(73,577)
Share of net post-tax profit/(loss) of associates and joint ventures	**6,484**	(2,577)	5,998	9,371	(4,094)
Profit before taxation	**1,398,302**	1,139,557	773,259	1,085,812	1,020,416
Income tax expenses	**(313,364)**	(231,165)	(207,051)	(184,407)	(237,966)
Profit for the year	**1,084,938**	908,392	566,208	901,405	782,450
Attributable to:					
Equity shareholders of the Company	**1,055,062**	883,581	579,923	911,007	785,502
Non-controlling interests	**29,876**	24,811	(13,715)	(9,602)	(3,052)
Profit for the year	**1,084,938**	908,392	566,208	901,405	782,450
Earnings per share					
– Basic	**RMB0.528**	RMB0.447	RMB0.293	RMB0.464	RMB0.403
– Diluted	**RMB0.468**	RMB0.428	RMB0.293	RMB0.459	RMB0.398
Total Assets	**22,214,474**	19,024,673	16,074,720	15,900,033	15,853,354
Total Liabilities	**(12,686,967)**	(10,524,996)	(8,603,362)	(8,515,522)	(9,307,560)
Net Asset	**9,527,507**	8,499,677	7,471,358	7,384,511	6,545,794

Profit from operations
RMB million



Total assets at 31 December
RMB million



FINANCIAL HIGHLIGHTS

	As at 31 December		
	2022 RMB'000	2021 RMB'000	+/-
FINANCIAL POSITION			
Total Assets	**22,214,474**	19,024,673	+16.8%
Net Assets	**9,527,507**	8,499,677	+12.1%
Net Current assets	**6,119,401**	5,071,926	+20.7%
Cash and cash equivalents	**5,223,453**	3,173,351	+64.6%
Interest bearing debts[1]	**2,000,870**	1,847,442	+8.3%
Gearing Ratio[2]	**21.0%**	21.7%	-0.7ppt

	For the year ended 31 December		
	2022 RMB'000	2021 RMB'000	+/-
OPERATING RESULTS			
Revenue	**19,601,761**	18,424,763	+6.4%
Gross profit	**3,401,440**	2,706,002	+25.7%
EBITDA	**1,858,946**	1,544,870	+20.3%
Core profit[3]	**1,227,963**	948,846	+29.4%
Profit from operations	**1,472,288**	1,212,559	+21.4%
Profit attributable to equity shareholders	**1,055,062**	883,581	+19.4%
PER SHARE DATA			
Earnings per share – Basic (RMB)	**0.528**	0.447	+18.1%
Earnings per share – Diluted (RMB)	**0.468**	0.428	+9.3%
Net asset value per share (RMB)	**4.697**	4.192	+12.0%
KEY STATISTICS			
GP ratio	**17.4%**	14.7%	+2.7ppt
EBITDA margin	**9.5%**	8.4%	+1.1ppt
Operating profit margin	**7.5%**	6.6%	+0.9ppt
Net profit margin[4]	**5.4%**	4.8%	+0.6ppt
Return on equity[5]	**12.1%**	11.4%	+0.7ppt
Interest coverage – times	**19.1**	19.5	-0.4
Cash conversion cycle days[6]	**52**	60	-8

Notes:

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

2 Gearing ratio = Interest bearing debts ÷ Total equity

3 Core profit* = Profit for the year + Amortisation of share base incentive scheme expense + Convertible bonds related imputed interest expenses

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

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

6 Cash conversion cycle days = Inventory turnover days + Debtor turnover days + Contract assets turnover days – Creditor turnover days – Contract liabilities turnover days

* The core profit is a non-HKFRS measure facilitating the evaluation of financial performance of the Group's core operations. Such non-HKFRS measure may be defined differently from similar terms used by other companies.

15th Anniversary Milestone

2007

CIMC Group acquired "Enric Energy Equipment Holdings Ltd", a Hong Kong listed company

2008

Acquired Jingmen Hongtu and entered into the realm of LPG and other medium-pressure storage and transportation equipment

2009

Zhangjiagang Sanctum, a LNG cryogenic equipment company, Nantong CIMC Tank (currently known as CIMC Safe Tech), a chemical tank container company and Holvrieka, a beer fermentation tank brand, were introduced by CIMC Group to Enric Energy Equipment Holdings Ltd, completing the business layout of clean energy, chemical and environmental and liquid food segments, renamed as "CIMC Enric Holdings Limited"

2010

Provided 45MPa hydrogen refueling vehicle, hydrogen refueling station, hydrogen storage vessels and other equipment for Shanghai World Expo

2011

Acquired Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd., developing relatively complete capabilities in the realm of energy and chemical engineering

2012

Acquired Ziemann, a world-class brewing system design and EPC turnkey brand, to improve industrial beer turnkey engineering capabilities

2013

Successfully delivered 300m³ liquid hydrogen storage tank to Wenchang, Hainan

Was included in Hong Kong Hang Seng Composite Index constituent stock

2014

NCLS, a company engaged in liquid food storage tank and beer turnkey project business, was introduced by CIMC Group to CIMC Enric, accelerating development in China market

2015

Bought out Dutch BURG SERVICE B.V, initiating the chemical logistics after-sales business layout

2016

Acquired Briggs, a British renowned spirits equipment and engineering supplier, diversifying into spirits, yeasts, pharmaceutical, biofuels and other industries

2017

Acquired SOE, complementing the business layout with offshore natural gas equipment and engineering capabilities

Established Anjiehui Internet of Things Information Technology Co., Ltd., initiating the intelligent business

Successfully developed its own 35MPa Type III on-vehicle hydrogen cylinder

2018

Contracted to build the first 70MPa hydrogen refueling station in China under the National 863 Program, and successfully passed the inspection and acceptance

Nantong CIMC Tank (currently known as CIMC Safe Tech) was awarded the "Manufacturing Industry Champion Demonstration Enterprise" by the Ministry of Industry and Information Technology

2019

Acquired DME, a North American craft beer engineering designer and brewing machine maker, opening a new chapter in product diversification and North American market expansion

2020

Completed the research and development of ultra-high pressure 103MPa hydrogen storage containers and 30MPa hydrogen tube bundle vessels

Won the bid for the "Key Equipment and Safety Research on Liquid Hydrogen Production, Storage, Transportation and Refueling (Application Demonstration)" project under the National Key R&D Plan of "Renewable Energy and Hydrogen Energy Technologies" in 2020

Nantong CIMC Tank Equipment Co., Ltd. (南通中集罐式儲運設備製造有限公司) completed its share reform and was renamed as CIMC Safeway Technologies Co., Ltd* 中集安瑞環科技股份有限公司, initiating its A-share IPO listing process

2021

Established the hydrogen energy business center to focus on the strategic implementation and value-added operation of hydrogen energy

Set up joint ventures for hydrogen with Hexagon Purus to domestically produce the world's leading Type IV on-vehicle hydrogen cylinders

Set up a joint venture with Angang Steel for the joint production of LNG and hydrogen from coke-oven gas, and entered into the hydrogen production business

Provided more than 30 sets of hydrogen tube bundle containers and more than 10 sets of 50MPa hydrogen storage tanks for the Beijing Winter Olympics and Winter Paralympic Games, supporting their carbon neutrality commitment with a full range of high-quality hydrogen equipment

Established the new energy business center to engage in upstream liquefaction, processing and operation business

Acquired the core assets of Fengshun Ship such as shipyards and berths along the Yangtze River Route, seizing the development opportunities arising from the offshore clean energy industry chain

Won the bid for the first baijiu project order – Shuijingfang Qionglai Full Industry Chain Base Project

2022

Successfully developed China's first 40-foot liquid helium tank container, filling the domestic gap on liquid helium storage and transportation products

LPG tank truck with pump successfully obtained the "Three New Assessments (三新評審)", among the first two intelligent LPG micro-pipe network integrated solution providers in China to pass the review

Delivered 78 oil-to-gas conversion vessels to help green upgrade of inland waterway shipping

Developed green methanol production business and formed strategic supply intention with global shipping giants

Completed the R&D of 45MPa diaphragm hydrogen compressor, becoming the only domestic integrated solution provider that can independently produce all core equipment for hydrogen refueling stations

Application for the A-share listing of CIMC Safe Tech on the ChiNext Market was approved by the Listing Committee

- **Clean energy**
  - **Natural gas**
  - **Hydrogen**
- **Chemical and environmental**
- **Liquid food**

CHAIRMAN'S STATEMENT

OVERALL STRATEGIES

Technological Innovation

Integrated Services

Value Recreation

Quality Growth

We are selected as the constituent stock of below indexes

- Hang Seng Composite LargeCap & MidCap Index
- Hang Seng Stock Connect Hong Kong Index
- Hang Seng Stock Connect Hydrogen Energy Index

And we are eligible shares listed on the Hong Kong Stock Exchange under the Shanghai-Hong Kong Stock Connect

Dear Shareholders, Investors and Partners,

Time flies, and in a blink of an eye, CIMC Enric has been listed for fifteen years. Thanks to the vigorous supports from our shareholders, investors, partners and colleagues, over the past 15 years, we have been forging ahead to extend our business upstream to downstream, from clean energy equipment manufacturing and operation to chemical environmental and liquid food equipment manufacturing and engineering, delivering clean energy to all parts of the country; providing multimodal chemical tank containers to make the logistics of hazardous chemicals safer and greener; and dedicatedly delivering carbon-neutral processing projects to provide higher-quality wines and beverages and even pharmaceuticals to tens of thousands of families underlying the major brands.

Over the past 15 years, we have extended our footprint and expanded our business to many countries around the world, thereby forming an interactive and co-developing business layout between China and Europe and providing customers with a more comprehensive global service network. Over the past 15 years, we have been remaining true to our original aspiration, dedicating ourselves to serving the society with our green power, strictly adhering to the bottom line of safety and compliance, constantly optimising our corporate governance, and fulfilling the great mission of "making energy cleaner, the environment more sustainable, and our lives better", which have won us widespread acclaim.

Seizing opportunities in the volatile global business environment, with all three major businesses advancing together

2022 was a year of stormy waters, the economy has slowed down, external circumstances remaining turbulent and global energy prices running at high levels. In the face of the complex global situation, the Group prudently adjusted its development strategy to meet challenges and grasp new opportunities on the volatile global energy market in an active manner. During the year, the Group saw overall stable and positive business development, and has been included in the Hang Seng Composite Mid-Cap Index and the Shanghai-Hong Kong Connect. The consolidated revenue for the year increased by 6.4% to RMB19,602 million, the core profit driven by operating activities increased by 29.4% to RMB1,228 million, and the basic earnings per share reached RMB0.528. Therefore, the Board recommends a final dividend of HKD0.24 per share, an increase of 12.6% year-on-year.

Despite challenges in the general environment, the Group's clean energy business has demonstrated its resilience through its comprehensive layout across the upstream, midstream and downstream industry chains. Sustainable development has become a global consensus and it is increasingly clear that the world is inclined towards clean energy. In this context, the Group devotes itself to applying its technological advantages in the fields of high-pressure natural gas equipment and cryogenic technology to more "future green energy sources" such as hydrogen, methanol and liquid ammonia. To this end, the Group has taken the lead in applying new technologies and building benchmark-level industry demonstration projects. During the year, the Group provided a series of hydrogen equipment for the Beijing Winter Olympic Games, demonstrating its role as a leading domestic hydrogen equipment manufacturer; joined hands with green business partners to explore the green methanol fuel market together; leveraged its strengths in the entire natural gas industry chain to provide ship owners with "equipment + service" integrated solutions for oil-to-gas conversion of vessels; delivered LPG micro-pipeline solutions for rural gas projects; and contributed its equipment to help implement the world's first carbon dioxide compression energy storage verification project.

As the Group's leading product, our tank containers have been ranked No. 1 in the world in terms of sales volume for many years. We believe that intellectualization is a strategic choice for seizing opportunities in the new round of technological innovation and industrial revolution, and we have been continuously innovating in every aspect of our business, equipping the huge number of tank containers in the world with "digital" wings through our "Tankmiles" platform, and setting up a domestic after-sales service centre to help customers realize the whole-process remote management of multimodal transportation. At the same time, as new economies such as the new energy and chip logistics chains are booming, the Group stepped into the race with high-end tank containers and has gained broad trust from our customers. During the year, the Group was able to live up to the expectations to have the application for the A-shares listing of CIMC Safeway Technologies Co., Ltd. (namely "CIMC Safe Tech") on the ChiNext Market approved by the Listing Committee, laying a good foundation for future expansion on the PRC market.

We continue to focus on the carbon neutrality requirements of our liquid food customers, follow the industry trend of intellectualization, streamlined processes and reduced carbon emissions, and strive to improve efficiency and eco-efficiency in all aspects of the liquid food brewing process. We are actively developing sustainable turnkey solutions, extending our product lines with leading-edge processes and project capabilities, exploring new markets such as baijiu and biopharmaceuticals, and constantly expanding our business boundaries to strengthen our leading position in the industry.

In 2022, our global footprint was growing at a steadier and faster pace. In particular, the clean energy segment facilitated the construction of energy infrastructure in Southeast Asia and Africa with its leading engineering capabilities, with hydrogen equipment going abroad to Europe, Southeast Asia and Australia; the tank container business continued to expand its global market share; and the liquid food segment delivered Budweiser's largest brewery in Asia Pacific on the PRC market.

Breaking monopoly with technological innovation and maintaining innovative through outreach cooperation

We persisted in the market demand-oriented R&D concept, promoted the optimization and upgrading of existing products, and continued to promote domestic substitution in this field, with a number of technologies such as liquid helium tank containers and nuclear fuel transport containers breaking foreign monopoly; our group members Shijiazhuang Enric Gas Equipment Co., Ltd. and Enric (Bengbu) Compressor Co., Ltd. being selected into the national list of "Little Giant" enterprises with the features of specialization, refinement, uniqueness and innovation; Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd.'s low-pressure liquefied gas storage and transport pressure vessels being accredited as products leading an individual field of the manufacturing industry by the Ministry of Industry and Information Technology; Nantong CIMC Energy Equipment Co., Ltd. being accredited as an enterprise with the features of specialization, refinement, uniqueness and innovation in Jiangsu Province.

Recognising that the full roll-out of new industries such as hydrogen energy requires industry-wide efforts, we believe that innovative power can only be sustained with a holistic vision and outreach cooperation. We have entered into strategic cooperation agreements with Zhejiang University, Panasonic Group and Weichai Group, joining hands with leading partners in exploring and implementing various application scenarios, starting from top-level planning and standard setting, to promote the healthy and orderly development of the industry.

Sustainable development recognised for active responses to climate change

As a global leader in the clean energy, chemical and environmental, as well as liquid food equipment industries, we have been actively responding to climate change, maintaining environmental and ecological sustainability, and making it our social responsibility to enhance the prosperity and well-being of the community and the general public. We focus on the clean energy industry, actively respond to the Chinese government's energy restructuring strategy, and help the country achieve its dual-carbon goal, with the mission and goal of promoting the broader use of zero-carbon and low-carbon energy and applying smart technologies to facilitate green production for our business operations and sustainable development, and have established a sustainable development strategy of "Building integrated clean energy service capabilities with technological innovation, smart interconnection and quality growth".

We require our subsidiaries to continuously improve their environmental management capabilities and align themselves with international standards. By 2022, 13 of our subsidiaries have been accredited with ISO14001 environmental management system certification, accounting for over 70% of the total; and our subsidiary CIMC Safe Tech has been awarded the title of Green Factory of Jiangsu Province. We acknowledge that employees are the greatest asset of an enterprise, and we pay active attention to the development and growth, as well as occupational health and safety of our employees. 13 of our subsidiaries have been successfully accredited with the ISO45001 international certification, reflecting the excellent occupational health and safety practices of international standard of such enterprises. We will facilitate more subsidiaries to be accredited with such international certifications, so as to ensure that our excellent occupational safety and health and environmental protection cultures will be carried forward. In addition, we are actively empowering industry development and pursuing sustainable supply chain management, as well as reinforcing our corporate governance and corporate behaviour. As a result, MSCI upgraded the Group's ESG rating to BBB in its rating report for December 2022, and the Group has also been assigned an ESG rating of A by Wind Info, ranking it 7th in the machinery industry.

Hydrogen and renewable energy fostering the future, connecting the world

Nowadays, the global economy is still highly uncertain, we have always kept in mind a sense of worry and are aware that the road ahead is still full of challenges. The Group shall always perk up and, focusing on the national dual-carbon target and the green future of the world, and relying on our innovative products and technology solutions, preserve its efforts on integrating equipment manufacturing and services, so as to become a technology-based integrated service provider for the industries it serves.

We will focus on the intelligent upgrade of clean energy equipment to achieve the intelligent interconnection and interoperability of key energy equipment, thereby exploring the value creation of the smart energy platform; and realise the integrated clean energy service capability for natural gas and hydrogen of "production, supply, storage, transportation, refueling and use" starting from the upstream resource end to the downstream application scenarios. Meanwhile, we will accelerate the digitalisation and upgrading of our tank containers to foster new momentum for industrial empowerment and enter the precious scrap metal recycling and environmental protection equipment races; follow the development trend of the liquid food industry and ride on consumer upgrading to expand our market space horizontally into the domestic market and non-beer businesses.

At last, on behalf of the Board of the Group, I would like to thank you once again and look forward to your continuous trust and support. Together with our eco-partners, we will do our utmost to realise our grand vision of empowering the world with clean energy!

Gao Xiang
Chairman

Hong Kong, 23 March 2023

CLEAN ENERGY SEGMENT

Offshore Clean Energy Industry Chain

Upstream (Production & Processing)

- Offshore oil and gas processing module

Midstream (Transportation)

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

Downstream (Terminal application)

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

Onshore Clean Energy Industry Chain

Upstream (Production & Processing)

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

Midstream (Storage & Transportation)

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

Downstream (Terminal application)

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

Hydrogen Energy Industry Chain

Upstream (Production & Processing)

- Demonstration project of hydrogen production from coke oven gas
- Alkaline Electrolyzer

Midstream (Storage & Transportation)

- Hydrogen tube bundle trailer
- Hydrogen storage tank

Downstream (Terminal application)

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Due to the geopolitical situation, the global energy market was overturned in 2022, and the prices of international natural gas and crude oil rose sharply, resulting in high domestic LNG prices throughout the year, with the annual average price hitting a record high. At the same time, the decrease of both supply and demand, significant reduction in industrial demand, combined with the impact of energy counter-substitution resulted in a decrease of 1.7% year-on-year in China's apparent consumption of natural gas to 366.3 billion cubic meters in 2022. During the year, the share of domestic LNG supply expanded. According to data released by the General Administration of Customs, China imported 109.248 million tons of natural gas in 2022, representing a year-on-year decrease of 9.9%, of which the import of LNG reached 63.442 million tons, representing a year-on-year decrease of 19.5%, representing the first decline in nearly seven years. Nevertheless, as an important source of transitional energy in China's 2030 carbon emission peak progress, demand for natural gas is expected to continue to grow in the long term.

During the year, European countries attempted to reduce their reliance on Russian pipeline gas and significantly increased their LNG imports, resulting in strong demand for large-scale maritime shipping of LNG and driving the market for small and medium-sized LNG carriers to increase in volume and price. At the same time, green transformation for sustainable development has become a global consensus and concerted action of the shipping industry. According to the annual report on alternative fuels released by Det Norske Veritas (namely DNV), the total number of new shipbuilding orders for alternative-fueled vessels worldwide in 2022 was 275, of which 222 were LNG-powered vessels, accounting for 81% of the total orders. In the domestic market, Foshan, Zhaoqing, Zhongshan and Qingyuan in Guangdong Province completed the first batch of new construction or renovation of single or multiple LNG-powered vessels during the year. With the great support from government policies, Guangdong Province has surpassed Jiangsu Province to become the province with the largest number of LNG-powered vessels in inland rivers.

The overall environment for the hydrogen industry in 2022 was favorable. In March, the Medium and Long-term Plan for the Development of Hydrogen Energy Industry (2021–2035)(《氫能產業發展中長期規劃(2021–2035年)》) have been issued jointly by the National Development and Reform Commission (NDRC) and the National Energy Administration (NEA), and policies related to fuel cell demonstration city clusters at the local government level have been intensively released, making the outlook for the hydrogen industry clearer. In the hydrogen production sector, the green hydrogen industry notably achieved mushrooming development; in the storage and transportation sector, high-pressure gaseous storage and transportation equipment is developing towards higher pressure and more lightweight, and during the year, the shipment volume of hydrogen tube bundle trailer increased by 40% year-on-year, and the number of cryogenic liquid hydrogen and solid hydrogen storage related projects under construction and contracted gradually increased over the past two years. In the hydrogen refueling sector, according to the China Hydrogen Energy Alliance Research Institute, as of the end of 2022, the number of hydrogen refueling stations in operation worldwide had reached 727, representing a year-on-year increase of 22.4%, of which 358 stations had been built in China and 245 were in operation, ranking first in the world in terms of numbers; the number of the global fuel cell vehicle fleet reached 67,315, representing a year-on-year increase of 36.6%, of which 12,682 were in China.

Onshore clean energy related policies

Release time	Issuing authority	Policy name	Main contents
January 2022	General Office of the State Council	"Notice on the Publication of the Work Plan for Promoting the Development of Multimodal Transport and Optimizing the Adjustment of the Transport Structure (2021–2025)"	To actively promote the application of new energy and clean energy vehicles, and promote the planning and construction of charging, refueling and other supporting facilities in highway service areas and port hubs.
February 2022	NDRC, NEA	"Opinions on Improving Systems, Mechanisms, Policies and Measures for the Green Low Carbon Transition of Energy"	To promote clean energy transportation such as electric, hydrogen, advanced bio-liquid fuel, natural gas, etc., improve the layout of charging, hydrogen and LNG stations and service facilities, and reduce the cost of clean energy in transportation.
March 2022	NDRC, NEA	"Plan for Modern Energy System during the 14th Five Year Period"	To encourage the use of LNG and other clean fuel alternatives in areas such as heavy-duty trucks, and strengthen the security of clean energy supply in the transportation industry.
March 2022	Four departments including NDRC	"Opinions on Promoting the Green Development of the Belt and Road"	To deepen cooperation in green and clean energy, promote green and low-carbon transformation and development through international energy cooperation. To conduct joint research and exchange training focusing on efficient and low-cost renewable energy-based power generation, hydrogen energy and energy storage.
December 2022	General Office of the State Council	"Notice on the Publication of the 14th Five-Year Plan for the Development of Modern Logistics"	To actively expand the application of new and clean energy such as electricity, hydrogen, natural gas, and advanced bio-liquid fuels in transportation, storage, distribution. To accelerate the establishment of natural gas, hydrogen and other clean energy supply and refueling system.
December 2022	Ministry of Ecology and Environment	"Notice on the Publication of Principles for the Approval of Environmental Impact Assessment Documents for Construction Projects in the Four Industries including Steel/Coking, Modern Coal Chemical, Petrochemical, and Thermal Power"	To encourage petrochemical construction projects to use green materials, processes and products, clean fuels, green electricity and green hydrogen. To encourage the implementation of circular economy and coordinate the utilization of upstream and downstream resources in the park.

Offshore clean energy related policies

Release time	Issuing authority	Policy name	Main contents
January 2022	State Council	"Notice on the Publication of the Comprehensive Work Scheme for Energy Conservation and Emission Reduction in the 14th Five-year Plan"	To promote the construction of green ports and green waterways, and orderly promote the construction of infrastructure such as charging and swapping, refueling (gas), hydrogen refueling, and ports. To strengthen the promotion and application of clean energy power for ships, and promote the transformation of ship shore power receiving facilities.
January 2022	State Council	"Notice on the Publication of the 14th Five-Year Plan for the Development of Modern Integrated Transportation System"	To promote the use of clean energy of inland waterway vessels to further reduce the energy consumption for transportation; promote the planning and construction of liquefied natural gas terminals along the coast; enhance the research and development capabilities of large liquefied natural gas carriers, polar ships, and large cruise ships.
July 2022	Three departments including Ministry of Industry and Information Technology	"Notice on Publication of the Implementation Plan for Carbon Emission Peak in the Industrial Sector"	To vigorously develop green and intelligent ships, strengthen the research and development of low-carbon clean energy equipment such as marine hybrid, LNG power, battery power, ammonia fuel, hydrogen fuel, etc., promote the renewal and transformation of old ships on inland rivers and coasts, and accelerate the research and development as well as application demonstration of the new generation of green intelligent ships.
September 2022	Five departments including the Ministry of Industry and Information Technology	"Implementation Opinions on Accelerating the Green and Intelligent Development of Inland Waterway Vessels"	To focus on the development of new energy and clean energy-powered ships; support the construction of clean energy supply facilities such as refueling and charging (replacement); realize the sustainable development of electricity, LNG and other energy industries and the ship industry in tandem.

Hydrogen energy related policies

Release time	Issuing authority	Policy name	Main contents
March 2022	NEA	"Guiding Opinions on Energy Work in 2022"	To carry out the demonstration of hydrogen production from renewable energy sources in accordance with local conditions, explore the development route and commercialization application path of hydrogen energy technologies; accelerate research on new energy storage, hydrogen energy and other low-carbon, zero-carbon and negative-carbon major key technologies.
March 2022	NDRC, NEA	"Medium and Long-term Plan for Development of Hydrogen Energy Industry (2021–2035)"	To identify hydrogen energy as an integral part of the future national energy system, and propose hydrogen energy to be a key direction for strategic emerging industries. By 2025, the number of fuel cell vehicles will be about 50,000, and the amount of hydrogen produced from renewable energy will reach 100,000–200,000 tons per year.
June 2022	Nine departments including NDRC	"Notice on the 14th Five-Year Plan for Renewable Energy Development"	To carry out large-scale demonstration of hydrogen production from renewable energy sources; strengthen practical cooperation with relevant countries on advanced technologies such as energy storage and hydrogen energy.
June 2022	Nine departments including the Ministry of Science and Technology	"Action Plan for Technology-supported Carbon Emission Peak and Carbon Neutrality (2022–2030)"	To research and develop efficient and low-cost hydrogen production technologies from renewable energy, large-scale physical and chemical hydrogen storage technologies, large-scale and long-distance pipeline hydrogen distribution technologies, and hydrogen safety technologies.
October 2022	NEA	"Energy Carbon Emission Peak and Carbon Neutral Standardization Promotion Action Plan"	To accelerate the improvement of the top-level design and standard system of the hydrogen energy industry, and support the industry chain-wide development of the hydrogen energy industry covering "production, storage, transportation and use". To increase the effective supply of standards, focusing on renewable energy-based hydrogen production, electrico-hydrogen coupling, fuel cells, systems and other relevant areas.
October 2022	Nine departments including the State Administration for Market Regulation	"Implementation Plan for the Establishment of a Sound Carbon Emission Peak and Carbon Neutrality Standard Measurement System"	To promote the development of standards for green hydrogen production, and develop hydrogen storage standards for high-pressure gaseous hydrogen storage systems, solid hydrogen storage systems, liquid hydrogen storage containers, etc.

Business Review

Onshore clean energy sector

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

In the business fields related to upstream processing and operation, relying on the advantages of energy equipment and engineering such as liquefied modules, storage and transportation equipment manufactured by the Group as well as the existing client base, the Group has developed the operation businesses of clean or new energy such as marginal natural gas (independent development of low economic isolated well gas, coalbed gas, etc.) by focusing on high-quality resources in regions such as Northwest China, Shanxi, Shaanxi, Northeast China, East China and South China. The Group has also realized the closed-loop operation of "production, supply, storage and distribution" from the upstream resource end to the terminal application scenario and built the integrated business operation and service capability of clean energy. In 2022, domestic oil and gas enterprises continued to strengthen the exploration and development and increase the storage and production capacity, expanded supply potential based on domestic resources, and enhanced the guarantee capacity of natural gas production. As a result, the proportion of domestic natural gas consumption has increased. In addition, as the domestic natural gas price has been at a high level for most of the time under the background of the Russo-Ukrainian conflict, the Group's revenue from upstream related natural gas processing and distribution business still recorded outstanding results.

In the field of midstream storage and transportation engineering and equipment, under the background of global geopolitical conflicts driving up energy prices and the shift of European natural gas supply from pipeline import to LNG import, the investment and construction of overseas LNG import and export storage and transportation equipment and related infrastructure have been strongly driven. During the year, the Group strengthened the investment of resources in the field of overseas energy engineering and equipment, expanded its leading position in the domestic market, and won many overseas large cryogenic storage tank projects; the Group has also made good progress in several major demonstration projects of clean energy, including providing special equipment for the first "new carbon dioxide energy storage verification project" in China, which marked a substantial step in the field of new energy storage equipment; the pump tankers and small tanks developed by the Group for the rural micro pipeline network project have been delivered and put into operation in Qinghai and Changsha; the Group also signed a memorandum of understanding regarding green methanol cooperation with a global shipping logistics giant to help the transformation and upgrading of green and clean fuel for shipping. In terms of equipment sales, although the sluggish domestic LNG market demand has led to a decline in the sales of the Group's LNG trailers and LNG tank containers, the strong demand in the CNG market has resulted in a significant increase in the sales of the Group's high-pressure gas vessels and high-pressure gas trailers and other equipments. In terms of overseas business, in 2022, the Group's revenue from the overseas onshore clean energy business reached a record high of RMB1.54 billion; the revenue from relevant overseas market accounted for 20.4% of the revenue from onshore clean energy business, representing a year-on-year increase of 3.8 percentage points.

In terms of downstream application, on the one hand, the demand for cryogenic storage tanks of industrial gases such as oxygen cylinders has risen sharply during the year under review, and the sales volume has increased steadily; on the other hand, the economic downturn and the reduction of the source of transportation goods have led to a decline in the demand for LNG heavy-duty truck market. According to market data, in 2022, 37,300 natural gas heavy-duty trucks were sold in the market, representing a year-on-year decrease of 37%, and the sales of LNG cylinders of the Group also declined. In the later stage, with the overall recovery of the macro-economy, the increasing requirements for heavy-duty truck emissions and the gradual return of LNG market prices to normal, the LNG heavy-duty truck market is expected to return to normal level, which will drive the sales of LNG cylinders.

Offshore clean energy sector

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

In terms of international market, during the year, the Group delivered one 7,500m^3 LNG carrier, two 5,000m^3 LPG carriers and one of the world's largest 20,000m^3 LNG carrier and bunkering vessel. At the same time, the Group actively promoted technological innovation, and realized the first application of high manganese steel to the development and manufacturing of the deck fuel tanks of 7,200m^3 LNG bunkering vessel in China, to help reduce costs and increase efficiency; the Group has launched the first B-type LNG liquid cargo tank project in China, consolidating its leading position in the liquid cargo tank market, enriching the possibility of its liquefied gas cargo tank solutions, and providing customers with a full range of solutions including C-type cargo tanks/B-type cargo tanks. In addition, ammonia, methanol and hydrogen, as the alternative fuels to promote decarbonization in the shipping industry, are being discussed in the industry. Thanks to the advance layout and leading comprehensive strength, the Group signed a memorandum of understanding with a customer to build an ammonia fuel bunkering vessel this year. During the year, the Group obtained new orders for the construction of three vessels.

In terms of domestic market, the year 2022 recorded the maximum delivery of oil-to-gas conversion vessels in the past years in China, and the "Gasification of Pearl River (氣化珠江)" has made breakthrough progress. The Group delivered a total of 78 oil-to-gas conversion vessels, including 59 vessels in the Xijiang River basin and 19 vessels in the Yangtze River basin, successfully completing the important task of "Gasification of Pearl River" assigned by the Department of Transportation of Guangdong Province. At the same time, the Group has completed the important strategic deployment in the Pearl River, the Yangtze River, the Beijing-Hangzhou Grand Canal and other major waterway systems. During the year, the Group further improved the iterative updating of LNG vessels and equipment, and developed a variety of products according to the hydrological characteristics of various regions. Among them, the cold energy utilization module developed by the Group has completed the test, the module has the capability to provide solutions for onshore and offshore scenarios, which can greatly improve the comprehensive energy utilization efficiency for customers.

Hydrogen energy sector

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

As an international leading supplier of hydrogen energy equipment and solutions, the Group continued to expand its layout and development in the upstream, midstream and downstream fields of the hydrogen energy industry during the year, and made great progress in many aspects of the industrial chain.

In terms of hydrogen production, the Group actively developed green hydrogen production equipment and launched the first 1,200Nm^3/h alkaline electrolyzer. In terms of storage and transportation, the sales volume of our champion products, hydrogen tube trailer, stationary hydrogen storage vessels and spherical tanks, continuously maintained the leading position in the market, and successfully developed 30MPa hoop-wrapped tube bundle containers, 99MPa and 103MPa stationary hydrogen storage vessels. These products have reached the international leading level, filled the domestic gap, and achieved mass sales. During the year, the production capacity upsurge in green hydrogen projects has led to a significant year-on-year increase of 92% in orders on hand for hydrogen storage equipment, and it is expected to maintain rapid growth in 2023. The construction of the Group's sample tank for civil liquid hydrogen manufacturing and certification has been completed, and the enterprise standards and design scheme of the liquid hydrogen tanker has passed the compliance review by the industry technical association as the first manufacturer; the Group has completed the research and development of the third generation of small skid-mounted 35MPa hydrogen refueling devices, and put into operation successfully in Foshan, Guangdong province; the Group won the bids for several hydrogen refueling station and hydrogen refueling mother station projects; the Group also provided multiple comprehensive hydrogen energy solutions for the first zero-carbon smart energy application demonstration project. At the same time, the Group actively carried out strategic cooperation with customers in North China and South China, successfully provided the first hydrogen fuel cell double-decker bus in Hong Kong with Type IV on-vehicle hydrogen cylinders and supply systems, and successively completed the signing and delivery of export orders for Type IV on-vehicle hydrogen supply systems in the second half of the year.

Future Plans and Strategies

Onshore clean energy sector

At present, the world is setting off a new round of energy revolution, and the energy structure is transforming towards a cleaner, lower carbon, safer and more efficient direction. As a relatively clean fossil fuel, natural gas is an important transitional energy to achieve the goal of carbon neutrality. The development of natural gas is of great significance for carbon emission reduction and energy security transformation. The International Energy Agency (IEA) predicts that LNG will replace coal as the world's second largest energy source in the global energy structure from 2030 to 2035, and the global demand for LNG will continue to grow in the long term.

With the gradual transformation of the global energy consumption pattern and the increasing demand for LNG in Europe and Asia, countries continue to actively promote the construction of LNG import terminals, while major export countries are accelerating the construction of LNG export terminals. The growing demand for LNG in Europe will create new business opportunities for LNG suppliers in Sub-Saharan Africa in the next five years, where the expansion of LNG infrastructure is crucial to release the local demand and export of natural gas in the region.

The 14th Five-Year Plan for Modern Energy System (2021–2025) (《「十四五」現代能源體系規劃》(2021–2025年)) issued by the PRC pointed out the need to improve gas storage capacity and natural gas supply capacity. The two important ways to achieve this goal are to increase domestic natural gas production and build more complete natural gas infrastructure, including LNG terminal. With the recovery of the domestic economy and the impact of the dual control policy of energy consumption, the demand for industrial and civil natural gas is expected to resume growth. On the other hand, the PRC has always maintained a significant global leading position in capital investment in the energy industry. At the beginning of this year, coastal private refineries have seen continuous production. Such domestic and overseas demand will drive the continuous growth of the Group's equipment and engineering businesses such as cryogenic storage tanks and spherical tanks. In addition, the "2023 No. 1 Document of the Central Government" (《2023中央一號文件》) was released, in which it was again proposed to "promote the coordinated construction and management of universal service facilities such as county power supply and gas supply in urban and rural areas, and promote the extension of municipal pipe network and rural micro pipeline network to the households in areas where conditions permit". This is also the second time, after the "rural micro pipeline network" was first written into the No. 1 Document of the Central Government in 2021, that the construction of "rural micro pipeline network" was included in the important strategic deployment of comprehensively promoting rural revitalization.

Under the trend of low carbon and the global energy crisis, many countries have reconsidered the application of nuclear energy. The International Energy Agency (IEA) estimated that the global nuclear installed capacity will reach three times of the current level by 2050. The Blue Book of the Report on the Development of China's Nuclear Energy 2022 (《中國核能發展報告(2022)》) stated that the scale of nuclear power plants under construction in the PRC continues to maintain the world's leading position. It is expected that there will still be a large increase in the scale of nuclear power installations during the 14th Five-Year Plan period, and the nuclear power industry chain is expected to usher in rapid development. The pace of approval of nuclear power units in the PRC has also accelerated since 2022. The Group's products include uranium fluoride storage and transportation containers and new fuel assembly transportation containers, which are expected to fully benefit from this trend.

In the face of the challenging domestic and international energy development trends, the Group actively adjusted its development strategy, leveraged on the all-round industrial layout advantages of "production, storage, transportation and refueling" and application scenarios, strengthened the research and development of key equipment and core technology and the industry leading position in the domestic market; while combined with the current product distribution and existing after-sales network in the foreign market, vigorously expanded the Asia-Pacific, Europe, North and South America and Africa markets, and fully grasped the global market opportunities.

Offshore clean energy sector

Since 1 January 2023, the International Maritime Organization (IMO) has officially implemented the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Index (CII), which has stimulated the industry's demand for the construction and conversion of clean energy vessels. According to the statistics of Vessel Value in January 2022, only 21.7% of vessels in the existing active fleets (bulk carriers, crude oil tankers and container ships) meet the requirements of EEXI. For vessels that cannot directly meet the emission targets, they can only be achieved by limiting the power of the main engine, reducing the speed, installing energy-saving devices or using clean energy. In addition to LNG fuel, clean energy such as hydrogen fuel, methanol and liquid ammonia are also becoming new choices for the shipping industry under the global trend of green and low-carbon transformation.

In terms of the domestic market, the Yangtze River and the Pearl River shipping has long used diesel, heavy oil, etc. as the fuel for vessels. Compared with the vessels using LNG as the fuel, their comprehensive pollution emissions are 70% higher. It is imperative to accelerate the oil-to-gas conversion of the Yangtze River and the Pearl River shipping, and implement the strategies of "Gasification of Yangtze River" and "Gasification of Pearl River". According to the relevant planning, by 2035, the total capacity of 7 LNG terminals along the middle and lower reaches of the Yangtze River will be 13 million tons/year, requiring at least 80 small LNG carriers with a capacity of more than 6,000m^3. In addition, according to the newly building and renovation data of LNG-powered vessels published by the market, it is estimated that the number of LNG-powered vessels in the PRC will reach 2,469 by 2027.

As a leading provider of small and medium-sized liquefied gas carriers, various clean energy power vessels and bunkering vessels, the Group has been committed to improving the intelligent level of shipbuilding, and continues to deploy various new alternative fuels including green methanol, liquid ammonia and hydrogen energy, consolidate the leading market position in the field of offshore clean energy equipment, and help out with the decarbonization process of domestic and foreign customers.

Hydrogen energy sector

Entering into 2023, Henan, Shanghai, Zhejiang, Hubei, Guangxi, Jiangxi, Hunan and other provinces have intensively introduced a number of policy guidelines for hydrogen industry. The further improvement of the local level industrial planning of hydrogen energy in China will help ensure the smooth implementation of projects in hydrogen energy industry in various regions and promote the three-dimensional coordinated development of upstream, midstream and downstream industries. Specifically, green hydrogen production and its application in the chemical industry are expected to increase rapidly, and the construction of hydrogen refueling stations will be further accelerated. Combined with the hydrogen energy planning of local governments, the number of fuel cell vehicles in China is expected to reach 80,000 in 2025.

Looking forward, the Group will focus on making new breakthroughs in the bottleneck of the hydrogen energy industry: it will deploy blue hydrogen and green hydrogen production equipment and related hydrogen production services, complete the technical reserve of two routes for hydrogen production from electrolytic water and build a "Jiangsu-Hebei" North-South dual layout of electrolyzer production base; it will provide the market with more efficient high pressure hydrogen storage and transportation technology and equipment, and actively reserve civil liquid hydrogen storage and transportation technology and products; it will provide advanced and efficient on-vehicle hydrogen supply system, accelerate the construction of production base in China, and also actively expand overseas markets; it will vigorously promote research and development of hydrogen refueling stations, strengthen market expansion, and actively participate in demonstration projects; and it will develop more application scenarios such as hydrogen combined heating and power systems.

Research and Development

Driven by technological innovation, the clean energy segment has always provided maximize value to customers by offering them the most competitive equipment and one-stop solutions. The segment places great emphasis on research and investment in new products and new technologies, which will enhance our competitive advantages and strengthen technological innovation, laying a concrete foundation for sustainable development of the Group. In 2022, the segment carried out a number of successful equipment research and development projects related to natural gas, LPG and industrial gas, such as:

- Successfully developed the first set of key storage equipment for carbon dioxide energy storage verification projects in China, providing supports for the 10MW energy storage demonstration project, and substantially entering into the field of energy storage equipment;

- Overcame difficulties and made rapid breakthroughs in the fields of key core equipment and commercial application of propane distributed energy gas supply system. The automatic production line of small-size LPG storage tank of ton has been put into operation smoothly. The test on the intelligent management platform of LPG tanker with pump has been completed. The professional training base of LPG tanker with pump has been successfully established and has passed the "national technical assessments on new materials, new processes, new technologies (國家三新技術評審)", which ensures the compliance, safety and intelligent application of propane distributed energy gas supply system;

- Completed a project issued by the Ministry of Industry and Information Technology – "Application study of high manganese cryogenic steel for marine LNG storage tanks", completed the construction technology research and application verification of high manganese austenitic cryogenic steel, passed the verification test of four sample tanks, and obtained a "Certificate of Workshop Approval of High Manganese Austenitic Cryogenic Steel for Marine Fuel Storage Tank Products (高錳奧氏低溫鋼船用燃料儲罐產品的工廠認證)";

- Completed the technical research and development of overseas super-large LPG spherical tanks (10,000m³), and successfully completed the assembly of four ASME standard 10,000m³ LPG spherical tanks and the welding of the first spherical tank in Nigeria;

- Completed the research and development of high-strength stainless steel materials and the application project on cryogenic vessels. The materials have been localized and applied to 45-foot LNG tank containers. The weight of the product is 11.96 tons, which is 1 ton lighter than the original product;

- Combined laser cutting and nesting to improve the material utilization rate by 3%. The application of automatic welding and handheld laser welding has reduced labor intensity, improved production environment, reduced energy consumption and pollution emissions;

- Completed the prototype trial production, type test and delivery of the 53-foot LNG tank container;

- The products under the tank container replacement mode solution of LNG power ship has completed trial production and onboard installation; and obtained the new product identification certificate of Jiangsu Ministry of Industry and Information Technology;

- Cooperated with Yangtze Shipping Group to apply for 12,000 tons tank container replacement mode offshore green intelligent bulk carrier demonstration project issued by the Ministry of Industry and Information Technology.

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

- Successfully developed 37.55m³ glass fiber hydrogen tube bundle container, and achieved mass sales;
- Firstly and successfully developed the 99MPa hydrogen storage vessel equipping for the 70MPa hydrogen refueling station in China, and won orders;
- 103MPa hydrogen storage vessel obtained ASME U3 manufacturing certificate;
- The design, trial production and enterprise standard compilation of the 52MPa aluminum inner liner fully-wrapped hydrogen cylinder have been completed and passed the pre-examination of the "Three New Assessments (三新評審)";
- 30MPa carbon fiber reinforced hydrogen tube bundle container with steel liner has been designed and developed and certified to achieve domestic and foreign sales;
- The hydrogen diaphragm compressor has completed prototype manufacturing and passed various tests, and has started market promotion;
- The tank body, frame manufacturing and road operation test and the liquid nitrogen cryogenic performance test of the 40-foot liquid hydrogen tank container sample has been completed;
- Participated in the formulation of national technical standards for Type IV hydrogen cylinder; also participated in the development and revision of a series of standards such as diaphragm compressors for hydrogen refueling stations;
- The group standard "Special technical requirements for transportable vacuum-insulated liquid hydrogen pressure vessels" spearheaded by the Group has been approved for publication and the first civilian liquid hydrogen tanker was manufactured in early March;
- Cooperated with Shanghai Nuclear Engineering Research and Design Institute to develop a dual-component new fuel transport container with higher storage and transportation efficiency. At present, the trial production and type test of the product are completed, pending the approval and acceptance of the National Nuclear Safety Administration;
- Provided equipment such as out-of-pile ionization chamber channel device, graphite-lead shielding device, equipment preheating trap, pump support and gas heating device on manhole plug developed by the Group for the fourth generation of nuclear generator unit (Xiapu Sodium-cooled Fast Reactor) to help the development of the fourth generation of nuclear power technology.

Sales and Marketing

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

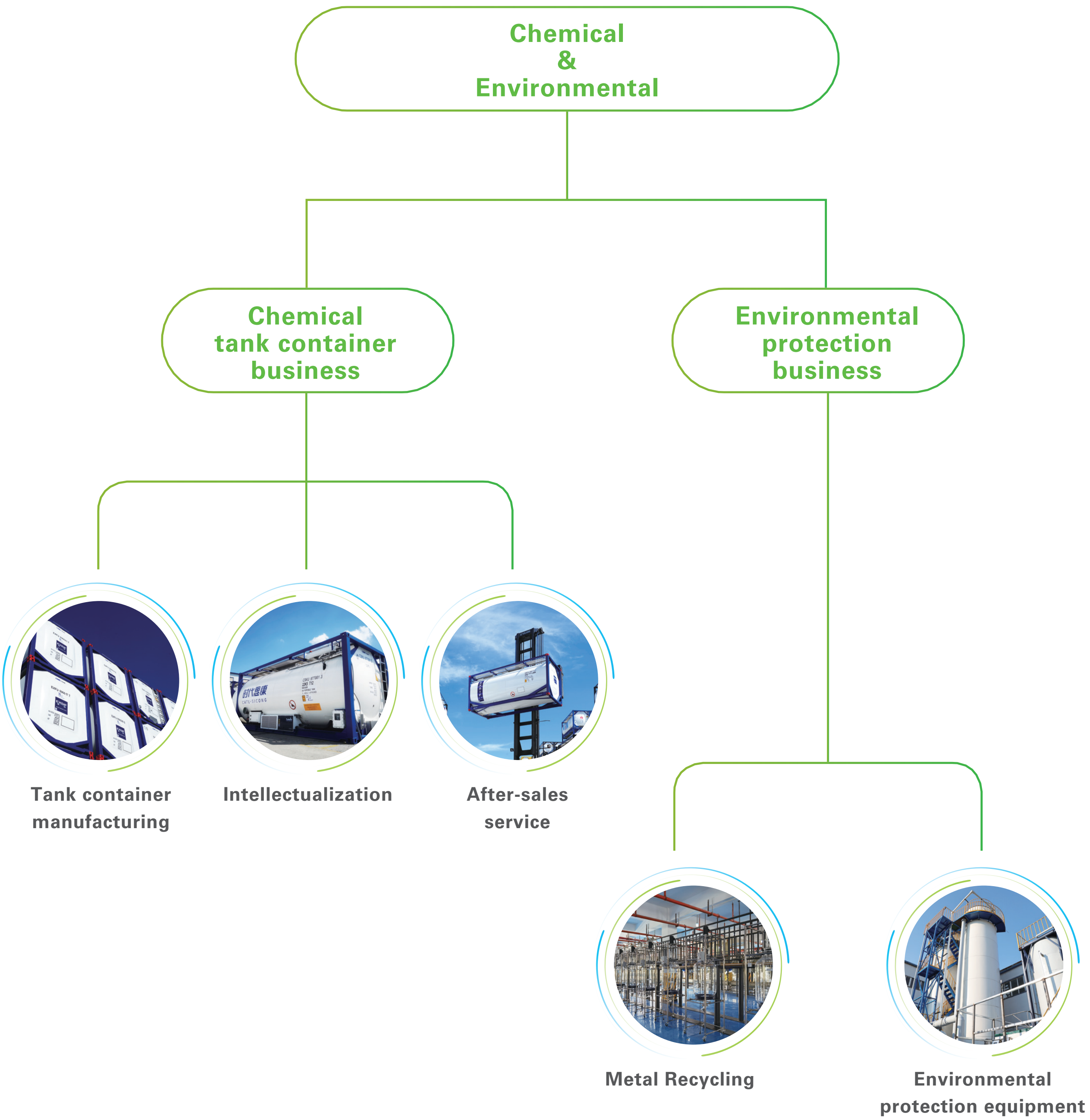
Customer Service

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHEMICAL AND ENVIRONMENTAL SEGMENT



Industry Overview

As an upgrade product of the traditional container, the tank container is primarily used for the transportation and storage of specialized goods, such as hazardous chemicals. There has been organic growth and replacement growth in demand for tank container, the overall demand has maintained relatively stable even though annual demand may vary. In the long run, the demand for tank containers in emerging markets will gradually increase with the replacement and upgrading of traditional transportation methods in the local chemical industry and the high attention to the safe, green and efficient transportation of dangerous goods, which will promote the stable growth of the global tank container market. A safer, more economical, more environmentally friendly and more intelligent green logistics model will be the general trend.

With the iterative upgrading of the global industries and the stricter implementation of safety and environmental protection related policies and regulations, chemical products are gradually transformed from low-end primary chemical products to high-end high value-added chemical products, and thus the demand for tank containers is also showing a trend of diversification. As the world's largest production base and consumer market for chemicals, China is vigorously promoting the professional and safe transportation of chemicals and encouraging the construction of professional transportation equipment and ancillary facilities for chemicals, which provides room for the development of tank container applications. At the same time, with the reconfiguration of China's chemical industry parks and the tightening of supervision on standardized operations, the overall business in the tank container ancillary service market such as cleaning, annual inspection, repair, renovation and refurbishment is improving.

There is a lot of uncertainty of the tank container market since 2020, including port congestion has brought about a decrease in the turnover rate of shipping assets utilization, which in the short term to a certain extent stimulated the demand for chemical tank containers suitable for maritime shipping. In the second half of 2022, with the gradual recovery of the global supply chain, the market demand for tank containers has also gradually returned to normal levels.

Logistics related policies

Time	Institution	Event/Document	Key contents
January 2022	General Office of the State Council	"Work Plan for Promoting the Development, Optimization and Adjustment of Transportation Structure of Multimodal Transport (2021–2025)"	By 2025, the development level of multimodal transport will be significantly improved, and a development pattern in which the medium and long-distance transport of bulk cargo and tank containers will be dominated by railways and waterways will basically be formed.
May 2022	General Office of the State Council	"14th Five-Year" Plans for Modern Logistics Development	Develop multimodal transport of hazardous chemicals tank containers, improve safety service levels, promote the transformation and upgrading of hazardous chemicals logistics to professional customization, high-quality services and turnkey supply chain services, and promote the standard convergence of dangerous goods in railways, highways, waterways and other transportation parts.
June 2022	Ministry of Transport, National Railway Administration, Civil Aviation Administration of China, State Post Bureau	"Implementation Opinion on Implementing the "Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy by the Communist Party of China Central Committee and the State Council""	Accelerate the development of multimodal transport with railways and waterways as the backbone, vigorously promote rail-water multimodal transport, and continue to promote the transportation of bulk cargo and medium and long-distance goods by "rail transport instead of road transport" and "waterway transport instead of road transport".
September 2022	Ministry of Transport	Provisions on the Safety Supervision and Administration of Railway Transport of Dangerous Goods	Encourage the scale, intensification and specialization in the development of special purpose vehicles and special purpose tank containers to transport dangerous goods; support the development of safety technologies for the transport of dangerous goods on railways and carry out project study with a significant impact on safety and environmental protection.

Environmental Policies

Time	Institution	Event/Document	Key contents
January 2022	Ministry of Commerce of the PRC	"Guiding Opinion for Expediting the Development of a Regime for the Recycling of Waste and Obsolete Materials"	Establish and improve the regime for the recycling of waste and obsolete materials, which will improve the level of resource recycling, enhance resource security capabilities and promote green and low-carbon cyclic development, thus helping achieve carbon dioxide emission peak and carbon neutrality.
October 2022	the 20th National Congress of the Communist Party of China	"Report of the 20th National Congress of the Communist Party of China"	Implement a comprehensive conservation strategy, promote economical and intensive utilization of various resources, and accelerate the establishment of a waste recycling regime.

Business Review

In 2022, in the face of challenges from various factors such as global geopolitics, fluctuations in raw material markets and exchange rate, the global economic growth slowed down, and market demand fluctuated considerably. By vigorously promoting R&D and innovation, strengthening supply chain management, further improving flexible production capability, strengthening comprehensive budget management and other measures adopted by the segment, the sales volume of the main product of tank containers has been greatly increased and the market share has been further consolidated, with the global leading position maintained. The profitability was steadily increased, and the operation continued to improve.

In recent years, the segment has regarded green development as the core competitiveness of the sustainable corporate development. In the process of production and operation, we have been constantly seeking new technologies, new processes and new energy for energy saving and environmental protection; every year, we invest a large amount of money in environmental improvement and treatment of exhaust, smoke, dust, noise, wastewater, solid waste and other inspects in our operation sites. We have always attached great importance to SGIL (Safety-Green-Intelligent-Lightweight) product research and development in the corporate development, always adhered to the HSE concept of "safety and health, and green operation", and actively created a green development environment of honesty, trust and law-abiding. During the year, we've been honored the "2022 Jiangsu Provincial Green Factory".

At the same time, the segment accelerated the extension of tank container manufacturing to "service + intelligence", and actively expanded after-sales service and intelligent product business. This segment has set up several depots around logistics hubs or chemical clusters, and CIMC Safeway Tank Container Service (Lianyungang) Co., Ltd. was established and put into operation during the year. The segment has also actively promoted an intelligent element "Tankmiles" brand, and its business has shown a rapid upward trend. Positioning systems, digital sensors, digital display meters, smart terminals and Internet of Things platforms have begun to be applied in batches in intelligent tank containers. The "Tankmiles" chiller system and in-transit monitoring solutions with independent intellectual property rights developed by the segment have won the trust of customers in the new energy battery electrolyte industry.

Future Plans and Strategies

With the rapid deployment of the new energy industry, the demand for battery electrolyte is growing rapidly, which will stimulate the demand for electrolyte tank containers to a certain extent. The high-end high-tech industries strongly supported by the state, such as chips and semiconductors, are booming, which will also give rise to an increase in the demand for electronic grade coated tank containers. At the same time, with the implementation of policies related to the development of domestic multimodal transport, the advantages of tank container transportation are becoming increasingly obvious, and more and more domestic users in the new energy industry are turning to the use of tank container equipment for transportation.

This segment will continue to increase its investment in the research and development of technology, vigorously expand the application fields of tank containers and expedite intelligent reform and digital transformation to achieve excellent operation and management, thus further enhancing the comprehensive competitiveness of the tank container business and maintaining its leading position in the industry. While consolidating the tank container manufacturing business, the segment has been actively improving the intelligence of products, and using the Internet of Things technology to help customers improve operational efficiency and realize intelligent logistics. The segment has been accelerating the global layout of tank container after-sales services and provides customers with full life cycle services, so as to further expand the brand influence, enhance the competitiveness, offer better value-added experience services and further improve customer satisfaction and loyalty.

In the context of promoting carbon neutrality, improving the recycling efficiency of scrap metal is an inevitable requirement for the development of circular economy. China is a country with large metal consumption, and it is also a country where metal resources are relatively scarce. In order to improve the recycling rate and utilization rate of scrap metal resources, China vigorously promotes the development of "circular economy" to create a green, environment-friendly, and conservation-oriented social system, as a result, scrap metal recycling industry will usher in huge development space and industry opportunities. The market size of metal recycling in industrial waste recycling has reached RMB140 billion in 2021, and it is expected that its market size will exceed RMB250 billion in 2025. The segment will focus on the waste recycling of non-ferrous metals, and at the same time enter the promising environmental protection equipment industry when opportunities arise.

Research and Development

The chemical and environmental segment is committed to providing customers with new logistics solutions and different types of tank container products. In 2022, the segment successfully developed the electrolyte tank containers for new energy sector and a series of electronic medium-grade tank containers for wet electronic chemicals; and the light-weight, low-stress, long-life wave-proof plate tank containers, tank containers with intrinsically safe joint-controlled operating system and multi-standard tank containers applicable to different areas, etc. The development of a wide range of products to meet the diversified needs of customers is beneficial for them to expand their business in the global chemical industry. Our technologies for tank container products continue to maintain the leading position in the industry.

The segment is committed to the application and development of new technologies, new processes and new materials for green and environmental protection, and has basically completed the development of the first ultra-low VOC emission powder coating production line in the industry. The key core processes of the production line are equipped with robots and automatic special machines, and the entire logistics system is automatically connected and transported, realizing the green manufacturing and upgrading of the tank container industry. The segment focuses on promoting the application of automation equipment technology in the production line, such as automatic robot welding inside the tank, etc. In 2022, we also launched the green flexible lighthouse factory project for special tank containers, completed the planning and blueprint design of the production line, and will continue to vigorously promote the implementation in 2023. While upgrading the production line, the segment is also committed to modular development to promote the overall modular operation of the segment to meet the rapid and optional needs of customers.

The segment is also committed to improving the intelligence of tank containers and building the brand of "Tankmiles". For the first time in China, the special explosion-proof refrigeration unit for tank containers was introduced. In order to promote the digitization of tank container products, the segment independently developed wireless digital thermometer to replace the traditional mechanical thermometer. At the same time, the segment continued to develop and build the in-transit data sensing capability of tank containers to help the safe operation of chemical logistics.

Sales and Marketing, Customer Service

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

The segment places a particular emphasis on full-life-cycle service for tank containers. While strengthening its tank container equipment manufacturing business, the segment has also been engaged in vigorous expansion through the deployment of after-sales networks to provide customers with supply of parts and components, cleaning, repair services, renovation, conversion and other ancillary services business on a global basis. On the other hand, the Group deepened the development of the "Internet of Things + Tank Container" business, and launched an integrated Internet of Things software and hardware for full life cycle monitoring, management and service of tank container products to provide customers with better services and intelligent solutions for the operational efficiency upgrade of tank container.

LIQUID FOOD SEGMENT

Brewery turnkey project

Craft beer turnkey project

Juice tank

Distillery turnkey project

Pharmaceutical vessel

Industry Overview

The liquid food segment is active in several types of products globally, including beer, distilled spirits, baijiu, juice, dairy and others, positioning itself well to benefit from positive global trends and key consumption drivers. Population growth, growing global GDP, urbanization and premiumization lead to continuous growth in the demand for beverages, driving the ongoing demand for capacity expansions or modernization and upgrading initiatives. More recent trends regarding the increased focus on digitalization and sustainability, such as reduced carbon emissions and water and energy savings, allows the segment to continue to deploy its engineering and R&D capabilities for the provision of highly efficient, sustainable and smart solutions.

According to a research report on the Global Food & Beverage Processing Equipment Market by Imarc Group, the market has reached a size of US$58.2 billion in 2022 and is expected to grow by 5.3% annually (CAGR) during 2023–2028. The global beer market is anticipated to grow at a CAGR of 3.7%, with the highest growth expected in the Asia Pacific region, driven by the increasing disposable incomes and changing lifestyles of consumers in this region.

The outlook of the Chinese beer market is positive, with an expected CAGR of 6% during 2023–2025. Growth drivers are the increased preferences for premium beers, growth in the craft brewing segment and the rise of non-alcoholic beers.

Although the demand for whiskey and other spirits saw a rapid growth in 2022, baijiu remained remains the most consumed spirit in China, taking up more than 90% of total distilled spirits consumption. Industry policies continue to drive the process of increased mechanization and intelligence in baijiu production lines. These modernization initiatives, as well as new capacity investments continue to generate opportunities for the liquid food segment.

Additionally, the alcohol industry has set up "zero-carbon production areas" and "zero-carbon plants" as construction targets during 14th Five Year. The segment will continue to seize the green upgrade opportunities for the carbon neutral transformation of domestic plants and parks for baijiu, craft beer, bio-pharmaceutics and so on.

Business Review

The Liquid Food segment reported a moderate performance throughout 2022, mainly due to the good process of the projects in hand and the optimization programs that have strengthened internal collaboration and supported bottom line growth.

During the period under review, turnkey brewery projects in Mexico, a turnkey brewery project for malt-flavored beverage and hard seltzer in USA, a hard seltzer project in Mexico, process design and equipment projects for greenfield tequila distilleries in Mexico, a turnkey brewery and experience center project in Cambodia, as well as a process design and equipment project for greenfield malt and grain distillery and a carbon-neutral whisky distillery demonstration project in China have been well processed. And the segment also applied carbon neutrality turnkey service and delivered Budweiser's largest craft brewery in the Asia-Pacific Region.

The segment has secured steady backlog orders in the non-beer market like distilled spirits and juice by the end of 2022. New significant projects have been awarded for the upcoming years. In addition, the development of new markets, such as baijiu and biopharmaceutical, are ongoing and initial projects have been secured from the market.

Future Plans and Strategies

The segment's core purpose is to provide the best in the world for safe, efficient and sustainable liquid processing solutions. Specific strategic themes were identified to continue the segment's profitable growth path throughout 2023 and beyond.

Main focus is to enhance the current business operations, strengthen product portfolio, explore new market opportunities, especially in non-beer business like distilled spirits and baijiu, and seek for geographical expansion opportunities like Latin American market through a better global footprint, product and market diversification, as well as product innovations, either organically or via mergers and acquisitions. China market will be attached more importance with new breakthroughs in Baijiu EPC capacity. The incremental market space brought about by the carbon neutral transformation will also be among the most concerned directions.

Research and Development

The liquid food segment has professional R&D departments in place. Robust innovation management procedures support the development of ideas into successful market solutions by means of a stage gate process. This allows the companies to persist in innovation-driven development and providing customers with the most competitive equipment and engineering technology solutions.

The segment continued to explore the optimization of its core products, such as advanced raw material handling systems and applications for yield optimization. For the beer market, enhancement of automated process control, big data & digitalization and the application of nano-membrane in brewing, were further explored and developed. Additionally, R&D teams have focused on new, adjacent markets where the existing capabilities on fermentation and storage equipment were deployed to other markets, such as precision-fermented proteins (new foods).

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

The procedures in place, the increased intercompany and interdepartmental cooperation, the R&D team expansion and the determined focus on future sustainability & digitalization trends puts the liquid food segment into a good position to support future new technologies and equipment required by its customers.

Sales and Marketing

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

Customer service

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

Qualification

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

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

With full respect and appreciation for intellectual properties, the Group possesses certain patented technologies in a number of countries to protect its invention and know-how. As at 31 December 2022, the Group held exclusive rights to over 1,200 patents, including over 160 invention patents and 19 patents franchised by foreign parties. We have obtained 4 China Patent Excellence Awards. The high standard of our technological innovation has been underscored by the increasing percentage share by the year of our applications for invention patents.

Cost Control and Lean Management

The Group continued to perfect its lean improvement system for the entire value chain, and kept improving and enhancing its quality of operation and management to achieve the goal of cost-effectiveness. Specific measures were as follows:

Excellent operation and green development:

1. With the help of CIMC Group and external experts, the Group identified the shortcomings of the enterprise performance results and management processes with the "CIMC ONE Operation Excellence Evaluation Standard" as a benchmark, organized core cadres to discuss and formulate lean improvement countermeasures to develop a performance improvement plan, and promoted the continuous improvement of the Group's operation and management. In 2022, Jingmen Hongtu was awarded the Yangtze Quality Award of Hubei Province.

2. By releasing the inventory display board and building an analysis model based on the data of business activities to show the trend of key indicators of inventory and expose abnormal conditions in the inventory of raw materials, products in progress, and finished products, the Group preliminarily realized the drill-down function of data to help companies discover their inventory management problems, and continued to use lean tools and methods to guide enterprises to improve their inventory management on site, achieving an 8.7% decrease in inventory turnover days.

3. The Group designed and built an HSE digital platform with risk identification and hidden danger prevention for all staff as its core. In the pilot unit, CIMC Sanctum sorted out 548 risk points on the operation site, formed 383 risk notification cards and 428 safety operation procedures, and compiled them into a book for use in the team leader training. During the year, CIMC Sanctum's HSE digital platform was officially put into use, initially realizing the participation of all staff in risk identification and control. Cadres at or above the team leader level can supervise and check the implementation of various risk control measures by scanning the QR code with their mobile phones at the operation site and record them in real time, achieving the visualization of the progress and effect of safety performance of staff at all levels and promoting the compliance and controllability of safety management.

4. Focusing on the strategic goals of "carbon emission peak and carbon neutrality" of the state and guided by the Group's indicators, the members of the Group separate the goals within themselves, formulate corresponding improvement measures, track and randomly inspect the implementation of the countermeasures on a quarterly basis, and organize special reporting and sharing on energy conservation and carbon reduction to promote typical cases. At the same time, the Group formulated improvement countermeasures in accordance with our case study on reasons for the abnormal data of semi-annual carbon emission reduction and annual target forecast. In 2022, the Group recorded a decrease of 8% in carbon dioxide emissions as per RMB100 million of its revenue.

Cost Control:

1. The Group focused on promoting the internal and external benchmarking improvement of core products of key energy business, among which, 12 benchmarking of core product costs, benchmarking of projects and external benchmarking were carried out. 20 projects were carried out to improve profitability, with a cumulative cost reduction of over RMB25 million. The gross profit margin of some products was effectively improved. At the same time, the Group actively explored the operation mode of product lines to enhance the overall competitiveness.

2. Despite the overall increase in bulk material prices, in 2022, the Group's cost was reduced by RMB80 million in a coordinated way by means of project management to reduce cost, steal coordinated mechanism, application of domestic products, supplier rebate, application of new technologies and materials, materials standardization and pricing modelling. The Group pays close attention to the fluctuation of steel price, and ensures the gross profit of its products by matching product price with steel price and locking in steel price.

3. The digital supply chain management was further improved. In 2022, SRM has been optimized for its enterprise users and connected to risk-control platform, establishing an efficient supply chain system for the Group. By implementing the business philosophy of sunshine procurement, risk management has been further consolidated.

Revenue

During 2022, benefitting from recovery of overseas economy and increased international trading activities, the Group's Chemical and Environmental and Liquid Food segments grew steadily during the year. At the same time, the slow down of China's domestic economy negatively impacted our Clean Energy segment, whose revenue was mainly generated from domestic market. As a result, the Group's consolidated revenue for 2022 rose by 6.4% to RMB19,601,761,000 (2021: RMB18,424,763,000). The performance of each segment is discussed below:

The Clean Energy segment's revenue for 2022 slightly declined by 5.5% to RMB10,591,120,000 (2021: RMB11,210,471,000). The Russo-Ukrainian conflict has bumped up natural gas prices globally and thus impacted domestic demand for natural gas, especially LNG. Weak domestic LNG consumption affected transportation-related and application product sales. As a result, the sales of LNG tank containers, LPG vehicles and spherical tanks decreased. Due to rapid development of the hydrogen energy industry, demand for the Company's hydrogen storage and distribution equipment and hydrogen refueling station equipment and engineering projects increased. In 2022, the Company's hydrogen-related business grew by 152.4% year-on-year to RMB440,427,000. Moreover, the recovery of global economy and international trade also boosted the segments' export which partially offset the weak domestic sales. The segment remains the top grossing segment and contributed 54.0% (2021: 60.8%) of the Group's total revenue.

The recovery of international trade has spurred the demand for chemical tank containers in 2022; therefore, the Chemical and Environmental segment's revenue posted a surge of 38.2% to RMB5,241,667,000 (2021: RMB3,793,827,000). The segment made up 26.7% of the Group's total revenue (2021: 20.6%).

During 2022, the Liquid Food segment's operations (especially on-site construction works) had been mostly back on schedule and benefitting from the increase of newly signed orders, the Liquid Food segment's revenue saw an increase of 5.8% to RMB3,619,638,000 during the year (2021: RMB3,420,465,000). The segment accounted for 18.5% of the Group's total revenue (2021: 18.6%).

The accumulated new orders received in the first two months of 2023 by the Group was RMB3,204 million, increased by 10.7% comparing with the same period of 2022. The new orders for each of Clean Energy, Chemical and Environmental and Liquid Food segments reached RMB2,110 million, RMB809 million and RMB285 million, representing year-on-year changes of 21.4%, -10.1% and 10.9%, respectively. The newly signed orders for hydrogen business in the first two months of 2023 was RMB88.8 million, increased by 10.2% comparing with the same period of 2022.

The orders on hand by the end of 2022 for the Group was RMB17,609 million, representing a year-on-year increase of 18.3%. The orders on hand for each of Clean Energy, Chemical and Environmental and Liquid Food segments reached RMB10,839 million, RMB2,477 million and RMB4,293 million, representing year-on-year changes of 35.6%, -5.0% and 0.2%, respectively. The orders on hand for hydrogen business by the end of 2022 was RMB299 million, increased significantly by 99.3% comparing with those by the end of 2021.

Gross Profit Margin and Profitability

The Group's overall gross profit margin ("GP margin") rose to 17.4% in 2022 from 14.7% in 2021. This was mainly because both clean energy and Chemical and Environmental segment's GP margin increased which was offset to a certain extent by the fall in Liquid Food segment's GP margin. The Clean Energy segment's GP margin increased slightly to 12.5% (2021: 11.6%), which was mainly attributable to the increase of overseas revenue for onshore clean energy business. During the year, the GP margin of Chemical and Environmental segment increased to 22.8% (2021: 14.4%), which was mainly due to appreciation of USD against RMB and better economy of scales brought on by strong market demand for chemical tank containers. As the segment's key products, tank containers, are mostly denominated in USD, USD's appreciation in turn increased the revenue reported in RMB. On the other hand, the lack of completion of large project during the year caused the GP margin of the Liquid Food segment to decline slightly to 24.0% (2021: 24.9%).

Profit from operations expressed as a percentage of revenue increased to 7.5% (2021: 6.6%), which was mainly due to an increase in GP margin.

Other operating income totalling RMB262,725,000 in 2022 (2021: RMB230,600,000) consisted of interest income from bank deposits, government grants and other operating revenue. The rise in other operating revenue during the year was mainly attributed to an increase in government grants.

Selling expenses decreased by 5.1% to RMB351,029,000 (2021: RMB369,984,000). Such expenses comprised provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses decreased mainly because of a drop in product repair expenses during the year.

Administrative expenses rose by 27.7% to RMB1,823,557,000 (2021: RMB1,428,300,000) which was mainly due to the increase in equity-settled share-based payment expenses, salaries and wages, legal and professional fees and research and development spending.

Net impairment losses on financial and contract assets declined to RMB58,754,000 (2021: RMB76,260,000) and was mainly attributable to the improvement in the Group's credit control measures.

Other net gains of RMB41,463,000 in 2022 (2021: RMB150,501,000) mainly comprised write-back of restructuring liabilities, foreign exchange gain, net fair value losses on financial assets at fair value through profit or loss, compensation received, write-back of payables and advances from customers, gain on disposal of property, plant and equipment, charitable donations and various miscellaneous income. The decrease in other net gains in 2022 was mainly due to increase in loss on settlement of derivative financial instruments and loss on fair value of derivative financial instruments which were offset to certain extent by the increase in foreign exchange gain.

During 2022, finance costs increased by 14.3% to RMB80,470,000 (2021: RMB70,425,000). Finance costs mainly comprised interest on bank loans, loans from related parties, lease liabilities and zero coupon convertible bonds ("CB") of RMB76,978,000 (2021: RMB61,553,000). The rise in interest expenses was mainly due to the recognition of imputed interest expenses on CB for the full year for 2022 comparing with only one month for 2021.

Tax expenses for the Group rose by 35.6% to RMB313,364,000 in 2022 (2021: RMB231,165,000). This rise was mainly due to increase profit before taxation.

Liquidity and Financial Resources

As at 31 December 2022, the cash and cash equivalents of the Group amounted to RMB5,223,453,000 (2021: RMB3,173,351,000). A portion of the Group's bank deposits totalling RMB382,398,000 (2021: RMB437,129,000), 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.

As at 31 December 2022, the Group's bank loans and overdrafts amounted to RMB444,699,000 (2021: RMB250,235,000) and other than the five-year bank loans, the remaining are repayable within one year. Apart from the HKD-denominated loans that bear interest at floating rates, the overall bank loans bear interest at rates from 2.95% to 4.50% per annum (2021: 1.54% to 4.45%).

As at 31 December 2022, the Group did not have any secured bank loan (2021: nil) nor any bank loan that was guaranteed by the Company's subsidiaries (2021: nil). As at 31 December 2022, loans from related parties amounted to RMB167,527,000 (2021: RMB357,147,000), which are unsecured, interest bearing from 3.5% to 4.75% per annum (2021: 3.8% to 4.75%) and repayable from within one year to two years.

As at 31 December 2022, the Group's CB amounted to RMB1,388,644,000 (31 December 2021: RMB1,234,980,000) recognised imputed interest expenses of RMB37,716,000 for this year (2021: RMB3,348,000). With effect from 7 June 2022 following the payment of final dividend for the year ended 31 December 2021, the CB's conversion price has been adjusted from HKD11.78 to HKD11.49 pursuant to the terms and conditions of the CB. The maximum number of Shares issuable by the Company upon conversion of all the outstanding CB amounted to 146,214,099 Shares as at 31 December 2022, representing an increase of 3,599,498 Shares as compared to 2021 (31 December 2021: 142,614,601 Shares). No conversion of the CB had been made since the issue of CB and up to 31 December 2022.

The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2021: zero times) as the Group retained a net cash balance of RMB3,222,583,000 (2021: RMB1,325,909,000). The increase in net cash balance was mainly attributable to a cash inflow from operating cash which is partially offset by the cash outflow from investing and financing during the year.

The Group's interest coverage was 19.1 times for the year (2021: 19.5 times), which represented a decline that was mainly due to a higher interest expense comparing with the previous year. 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 2022, net cash generated from operating activities amounted to RMB2,561,009,000 (2021: RMB434,651,000), mainly attributable to the increase in contract liabilities. By consistently applying the right measures and controls, the Company is confident to maintain a net operating cash inflow in the long run.

The net cash used in investing activities amounted to RMB483,946,000 (2021: RMB557,612,000), this is mainly due to the payment for acquisition of non-current assets for production and operation and intangible assets which totaled to amount RMB459,398,000 (2021: RMB759,500,000).

During the year, the net cash used in financing activities amounted to RMB77,084,000 (2021: inflow of RMB753,689,000), this is mainly due to the lower amount of net drawdown of bank loans and loans from related parties. The Group drew bank loans and loans from related parties totaling RMB711,955,000 (2021: RMB2,982,453,000) and repaid RMB728,042,000 (2021: RMB3,334,236,000). In addition, cash proceeds were recorded from the issuance of ordinary shares on exercise of share options of RMB5,364,000 (2021:RMB38,780,000) and there were no disposal of unvested shares under the 2018 Restricted Share Award Scheme during the year (2021: RMB102,782,000). In 2022, a final dividend of approximately RMB364,258,000 (2021: RMB235,891,000 was paid for the financial year 2020) was paid for the financial year of 2021.

Assets and Liabilities

As at 31 December 2022, total assets of the Group amounted to RMB22,214,474,000 (2021: RMB19,024,673,000) while total liabilities were RMB12,686,967,000 (2021: RMB10,524,996,000). The net asset value rose by 12.1% to RMB9,527,507,000 (2021: RMB8,499,677,000), which was mainly attributable to net profit RMB1,084,938,000 which was partially offset by dividend pay-out of RMB364,258,000. As a result, the net asset value per share increased from RMB4.192 at 31 December 2021 to RMB4.697 at 31 December 2022.

Contingent Liabilities

As at 31 December 2022, the Group had outstanding procurement performance guarantees issued by relevant banks totaling RMB1,257,969,000 (31 December 2021: RMB830,217,000). Apart from these, the Group did not have other material contingent liabilities.

Future Plans for Source of Funding and Capital Commitments

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by external borrowings (such as bank loans, related party loans and convertible bonds). At the same time, the Group will continuously take particular caution on the inventory level, credit policy as well as receivable management in order to enhance its future operating cash flow. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As at 31 December 2022, the Group had contracted but not provided for capital commitments of RMB184,949,000 (2021: RMB49,394,000). As of 31 December 2022, the Group did not have any authorised but not contracted for capital commitments (31 December 2021: nil).

Foreign Exchange Exposure

The Group is exposed to foreign currency risk primarily through trade transactions that are denominated in currencies other than its functional currency. The currencies giving rise to this risk to the Group are primarily US dollar and Euro. The Group continuously monitors its foreign exchange exposure and controls such exposure by conducting its business activities and raising funds primarily in the denominations of its principal operating assets and revenue. Moreover, if necessary, the Group can enter into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk. For further details, please refer to note 29 to the financial statements.

Capital Expenditure

In 2022, the Group invested RMB501,722,000 (2021: RMB841,019,000) in capital expenditure for expansion of production capacity, general maintenance of production capacity and new business ventures. The Clean Energy, Chemical and Environmental and Liquid Food segments invested RMB382,516,000, RMB77,184,000 and RMB36,022,000 respectively (2021: RMB695,729,000, RMB100,539,000 and RMB44,751,000 respectively) in this regard during the year. Other unallocated business invested RMB6,000,000 in aggregate during the year (2021: nil).

Significant Investment Held and Future Plans for Material Investment and Capital Assets

During the year ended 31 December 2022, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this report.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2022, there was no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charge on Assets

As at 31 December 2022, no property, plant and equipment was pledged.

Employees and Remuneration Policies

As at 31 December 2022, the total number of employees of the Group was approximately 10,500 (2021: approximately 9,900). Total staff costs (including directors' emoluments, retirement benefits scheme contributions and equity-settled share-based payment expenses) were approximately RMB2,051,266,000 (2021: RMB1,845,566,000).

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.

During the year ended 31 December 2022, no Directors waived their remuneration.

Directors

Mr. Gao Xiang

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

Mr. Gao, born in 1965, joined the Group as the General Manager in January 2009, was appointed as an Executive Director in September 2009, was re-designated to be the Chairman of the Board from the General Manger in April 2015, and was re-designated to be a Non-executive Director of the Company in January 2021. He graduated from the Tianjin University (天津大學), majoring in marine and vessel engineering, and is a senior engineer. From 1999 to 2008, Mr. Gao was the general manager of Tianjin CIMC North Ocean Containers Co., Ltd. (天津中集北洋集裝箱有限公司), Tianjin CIMC Containers Co., Ltd. (天津中集集裝箱有限公司), Tianjin CIMC Logistics Equipment Co., Ltd. (天津中集物流裝備有限公司), Tianjin CIMC Vehicles Sales and Service Center (天津中集車輛物流裝備有限公司) and Tianjin CIMC Special Vehicles Co., Ltd. (天津中集專用車有限公司), respectively. Mr. Gao was an assistant to the president of CIMC from 2004 to 2008, was a vice president of CIMC from 2015 to May 2018, was an executive vice president of CIMC from May 2018 to August 2020 and was a director of CIMC from October 2020 to March 2021. He is currently the president of CIMC. He also holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Yang Xiaohu

President, Executive Director and a member of Sustainable Committee

Mr. Yang, born in 1975, is the President of the Company, an Executive Director and a member of the Sustainable Committee. He graduated in Huazhong University of Science and Technology (華中科技大學), majoring in vessel and marine engineering, and EMBA of China Europe International Business School. Mr. Yang joined CIMC as an officer of the quality control department of Shanghai CIMC Reefer Containers Co., Ltd. from 1997 to 1999, and was a sales manager of CIMC Group's container operation department from 2000 to 2009. He was a deputy general manager of the Company's sales and marketing department from April 2009 to April 2012, was an assistant to general manager of the Company from May 2012 to March 2015. He served as general manager from April 2015 to January 2018 and is currently the chairman of the board of 中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐式儲運設備製造有限公司, a wholly-owed subsidiary of the Company). Mr. Yang was a deputy general manager of the Company from April 2015 to October 2017, and was appointed as the Executive Director and the general manager of the Company on 27 October 2017 (the title of "General Manager" has been changed to "President" with effect from 1 January 2023 without any changes to his functions or executive responsibilities). He has been the vice president of China Container Industry Association since 2019. He holds directorships in certain subsidiaries of the Company.

Mr. Yu Yuqun

Non-executive Director and a member of Sustainable Committee

Mr. Yu, born in 1965, joined the Group as an Executive Director in September 2007 and was re-designated to be a Non-executive Director on 5 September 2016. He obtained a bachelor's degree and a master's degree in economics, both from the Peking University (北京大學). Mr. Yu joined CIMC in 1992, he is currently the vice president of CIMC, and responsible for capital market business. Mr. Yu was a company secretary of CIMC from October 2012 to March 2021. He is currently an independent non-executive director of IMEIK Technology Development Co., Ltd. (shares of which are listed on ChiNext Market of Shenzhen Stock Exchange). He holds directorships in certain subsidiaries of CIMC and the Company.

Mr. Zeng Han

Non-executive Director and a member of Remuneration Committee

Mr. Zeng, born in 1975, was appointed as a Non-executive Director on 18 May 2018. He graduated from Hangzhou Institute of Electronic Engineering with a bachelor's degree in Economics in July 1996, and later graduated from Jiangsu University of Science and Technology with a master's degree in management in June 1999. He joined CIMC in 1999 and has successively served as manager of the accounting division of the financial management department, assistant to the general manager, deputy general manager and executive general manager of financial management department. Mr. Zeng has served as chief financial officer of CIMC since March 26, 2020. Mr. Zeng had been the general manager of the former financial department of CIMC since March 2017, and has been the general manager of the financial management department formed by the merger of the former financial department and the former capital management department since January 2018. Mr. Zeng has been appointed as a non-executive director of CIMC Vehicles (Group) Co., Ltd. (shares of which are listed on the Main Board of the Stock Exchange (stock code: HK.1839)) since 29 September 2021. 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.

Mr. Wang Yu

Non-executive Director

Mr. Wang, born in 1972, was appointed as a Non-executive Director on 5 September 2016. He graduated from Dalian Maritime University with Bachelor of Engineering (Transportation Management) in 1993 and Master of Laws (International Economic Law) in 1996. He worked in the legal affair department of China Ocean Shipping (Group) Company from 1996 to 2000 and America International Data Group's branch in China (美國國際數據集團(中國)公司) from 2001 to 2002. Mr. Wang joined CIMC in 2003, and has been the general manager of the legal department of CIMC since 2007. Mr. Wang is currently a non-executive director of CIMC Vehicles (Group) Co., Ltd. (shares of which are listed on the Main Board of the Stock Exchange (stock code: HK.1839)). He holds a number of directorships in certain subsidiaries of CIMC. Mr. Wang was admitted as a lawyer in the People's Republic of China in 1997 and is currently a non-practising lawyer. Mr. Wang is also an arbitrator of South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會) (also known as Shenzhen Court of International Arbitration 深圳國際仲裁院) and China International Economic and Trade Arbitration Commission.

Ms. Yien Yu Yu, Catherine

Independent Non-executive Director and chairman of Audit Committee

Ms. Yien, born in 1970, 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 (stock code: HK.2688) from September 2004 to May 2016, and has been re-appointed as independent non-executive director of ENN Energy Holdings Limited on 30 November 2018. Ms. Yien Yu Yu, Catherine served as a member from July 2015 to July 2019 and a deputy chairman from July 2019 to July 2021 of the Listing Committee of the Main Board and GEM of the Stock Exchange and is currently a member of the Advisory Committee of the Securities and Futures Commission, and a managing director of Rothschild & Co Hong Kong Limited. Ms. Yien is a Chartered Financial Analyst and a fellow member of the Hong Kong Securities and Investment Institute. She has extensive experience in the areas of corporate finance, capital markets, and mergers and acquisitions.

Mr. Tsui Kei Pang

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

Mr. Tsui, born in 1960, was appointed as an Independent Non-executive Director on 11 November 2009. He obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui has been a Hong Kong practising solicitor for more than 25 years and is now a partner of Messrs. Anthony Siu & Co. He specialises in Hong Kong and China cross-border commercial legal services. He is also vice president of Association of China- Appointed Attesting Officers Limited and an honorary legal adviser of The Hong Kong Real Estate Association.

Mr. Wang Caiyong

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

Mr. Wang, born in 1951, was appointed as an Independent Non-executive Director on 1 October 2018. He graduated from Fudan University (復旦大學), majoring in finance (correspondence course) in 1996 and completed the postgraduate study in finance at Beijing Technology and Business University in 2002. He is a registered accountant in the People's Republic of China (senior accountant). Mr. Wang was the deputy chief of the financial department of Dalian Maritime University from 1994 to 1995. Mr. Wang joined the head office of China Ocean Shipping (Group) Company (now known as China Cosco Shipping Corporation Limited) in 1995 and served as deputy general manager of supervisory department and head of auditing department; served as chief accountant of the head office of China Ocean Shipping Agency from 2000 to 2001; and served as chief accountant of Cosco Dalian Ocean Shipping Company from 2002, and retired in 2011. He was seconded to the supervisory board of the State Council from December 2001 for one year. Mr. Wang was also the deputy general secretary of China Institute of Internal Audit Transportation Branch from September 2011 to October 2014. He is currently the managing director of China Institute of Internal Audit and president of China Institute of Internal Audit Transportation Branch. Mr. Wang has won the 2006 China Excellent CFO Award.

Mr. Yang Lei

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

Mr. Yang, born in 1974, was appointed as an Independent Non-executive Director on 30 September 2022. He graduated from Northwest University (西北大學) with a Bachelor's degree in Petroleum Geology in 1995, and obtained a Master's degree in Sedimentology from the Department of Geology of Northwest University in 1998 and a Doctor of Philosophy degree in Mineral Survey and Exploration from China University of Petroleum (Beijing) (中國石油大學(北京)) in 2002. Mr. Yang is currently the Vice President and a research professor of the Institute of Energy of Peking University (北京大學能源研究院), and the Chairman of the Coordination Committee of the International Gas Union (國際燃氣聯盟協調委員會). Mr. Yang had held various positions at the National Development and Reform Commission and the National Energy Administration from July 2002 to April 2016. Mr. Yang had served as the first Senior Advisor from China to the Executive Director of the International Energy Agency from May 2016 to May 2019. Mr. Yang has nearly 25 years of extensive experience in strategic research and practical experience in the energy industry, and has dedicated himself to promote clean energy transition, market-oriented energy reform and global energy governance research. The Institute of Energy of Peking University, which was co-founded by Mr. Yang, has played a significant role in promoting energy transition and carbon neutrality domestically and abroad.

Senior Management

Mr. Gao Wenbao

Vice President

Mr. Gao, born in 1973, is the Vice President of the Company responsible for the offshore gas business. He is also the president of the Company's offshore gas business center and the vice president of the Company's hydrogen energy business center. Mr. Gao 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, an assistant to general manager, and the deputy 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.

Mr. Ju Xiaofeng

Vice President

Mr. Ju, born in 1968, is the Vice President of the Company responsible for energy equipment and engineering business. He is also the president of the Company's energy equipment and engineering business centre, and he is the vice president of China Industrial Gas Association. He gradated from Nantong University, majoring in mechanical design and obtained master degree of MBA of Nanjing University of Science & Technology. Mr. Ju worked in Nantong Electric Motor Factory from the period of 1989 to 1997. He joined the Group in March 1997 and served as deputy manager of production department and manager of enterprise management department of CIMC Nantong base, manager of enterprise management department of Taicang CIMC, general manager of enterprise management department of the Company, assistant to general manager and chief operation officer, and was appointed as deputy general manager in January 2021. He concurrently served as the general manager of the company's energy equipment and engineering business center since 2020. He was deputy general manager and executive deputy general manager of 中集安瑞環科技股份有限公司 CIMC Safeway Technologies Co., Ltd* (formerly known as 南通中集罐式儲運設備製造有限公司, a wholly-owned subsidiary of the Company) from the period of 2012 to 2014, general manager of Nantong CIMC Energy Equipment Co., Ltd.(a wholly-owned subsidiary of the Company) from the period of 2015 to 2016. He also holds directorships in certain subsidiaries of the Company.

Mr. Fang Jianping

Vice President

Mr. Fang, born in 1966, is currently the Vice President of the Company responsible for integrated energy systems solutions business. He graduated from Tongji University, majoring in Thermal Energy and Dynamic Mechanism as well as Business Administration, and obtained a Bachelor's degree in Engineering and a Master's degree in Business Administration. He joined the Group and served as vice president in January 2023. Since 1989, he has successively serve in multiple managing roles in Shanghai Astronautics Energy Co., Ltd., Shanghai Institute of Space Propulsion, Shanghai Aerospace Smart Energy Technology Co., Ltd., Shanghai Fiorentini Gas Equipment Co., Ltd., and Shanghai Aerospace Industry (Group) Co., Ltd.

Ms. Zhong Yingxin

Company Secretary

Ms. Zhong, born in 1976, is the Company Secretary of the Company, responsible for implementation of good corporate governance, investor relations, branding and corporate communications and major capital market transactions. She is an Associate Member of The Hong Kong Chartered Governance Institute. Ms. Zhong graduated from Zhongnan University of Economics and Law and majored in Legal English and Economic Law and received Master's degrees in Management (Finance) and Business Administration from Macquarie University in Australia. Ms. Zhong also holds a Master's degree of Corporate Governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Ms. Zhong joined the Company in year 2020 as the Deputy Head of Board Secretary Office and Investor Relations Director, and was appointed as the Company Secretary on 31 December 2021. Prior to joining the Company, Ms. Zhong worked in the several positions of Investor Relations and Investment Business Development in various listed companies with rich industrial and professional experience.

Mr. Lai Zeqiao

Financial Controller

Mr. Lai, born in 1977, is the Financial Controller of the Company, assistant to the President in areas of financial and accounting management and reporting, internal control, taxation and treasury management of the Company. He was appointed as the Financial Controller on April 2022. Mr. Lai graduated from Shenzhen University and obtained a Bachelor's degree in Management. He is a Certified Public Accountant in China and holds a Chartered Global Management Accountant certificate. He joined the Company in 2019. He has been serving as director and general manager of finance department. Before joining the Company, he served as audit manager in Ernest & Young from the period of 2000 to 2007; he then worked as finance director in TCL from the period of 2007 to 2010 and Asia Pacific Petroleum Group Co., Ltd. from the period of 2010 to 2013; between 2013 and 2014, he appointed as executive director in Xinjiang TCL Capital Investment Co. Ltd; between 2014 and 2018, he was appointed as vice president in Hotchip Technology in Shenzhen. Mr. Lai has extensive experience in finance and accounting management, internal control, taxation and treasury management.

Ms. Yang Baoying

Deputy General Manager

Ms. Yang, born in 1967, was appointed as the Deputy General Manager of the Company since May 2012. Ms. Yang was retired from the position on 1 January 2023. She has a senior engineering title and received a master's degree in business administration from the 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 (stock code: HK.2688)) from 2002 to 2005, and then joined the Group in March 2005. She was the general manager of Shijiazhuang Enric Gas Equipment Company Limited (石家莊安瑞科氣體機械有限公司, a wholly-owned subsidiary of the Company) from January 2010 to December 2016. She 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.

CORPORATE GOVERNANCE REPORT

Corporate governance is the collective responsibility of the board of directors of the Company (the "Board"). The Board strongly believes that stakeholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. 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, taking prompt actions in responding to identified improved opportunities and, most importantly, accountability to shareholders.

Corporate Culture

The Company deeply believes that healthy corporate culture is not only the core of good governance, but also the soul of an enterprise and an essential part of the sustainable development. In light of the vision of to be an industry-leading high-tech enterprise in clean energy, chemical and environmental, and liquid food industries, the Company develops its corporate culture according to the operating environment, values and strategies, including the value of acting lawfully, ethically, responsibly and the same belief concepts in the aspects of environmental protection, occupational health and safety, employee care and talent cultivation, etc., thereby stimulating the enterprise vitality, and endeavours to become a respected innovative enterprise to provide high-quality and reliable equipment and comprehensive value-added services to customers, generate sound returns for shareholders and employees, and create sustainable value to the society.

Corporate Governance Practices

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;

Corporate Governance Practices *(Continued)*

- Internal Whistleblowing Policy;
- Anti-Corruption and Fraud Policy*;
- Information Disclosure Policy;
- Board Diversity Policy;
- Nomination Policy; and
- Dividend Policy.

Note * Anti-Corruption and Fraud Policy was adopted by the Board on October 2022, which applies to all employees, covering directors and employees at all levels, and the Company encourage all business partners, including major shareholders, joint venture partners, agents, consultants, contractors, suppliers and other stakeholders who are involved in our work, shall follow the principles of the policy.

Corporate Governance Code Compliance

Throughout the year ended 31 December 2022, the Company complied with all the code provisions of the CG Code.

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

Securities Transactions by Directors

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 2022.

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 2022 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 2021 and 2022, and for the six months ended 30 June 2022 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 continuing connected transaction in relation to revision of annual caps under the Financial Services Framework Agreement (2019);
- approved the connected transaction in relation to the disposal of 10% equity interest in CIMC HUIJIE;

Board of Directors *(Continued)*

The Board *(Continued)*

- approved the proposed adoption of new memorandum and articles of association；

- approved the operating data and indicators for the three months ended 31 March 2022, the third quarter of 2022, and the nine months ended 30 September 2022;

- reviewed and approved the Group's 2021 Environmental, Social and Governance Report;

- approved the adoption of equity incentive scheme of a subsidiary and the connected transaction in relation to the capital increase of a subsidiary;

- approved the announcement in relation to the adjustment to conversion price of HKD1,680,000,000 zero coupon convertible bonds due 2026;

- approved the voluntary announcement in relation to the inclusion of the Company as constituent stock of Hang Seng Family Of Indexes;

- approved the (1) change of independent non-executive director and (2) change in composition of audit committee, remuneration committee and nomination committee;

- approved the joint announcement in relation to the approval by the listing committee for ChiNext Market of Shenzhen Stock Exchange of the application for the A-shares listing of CIMC Safe Tech; and

- approved the continuing connected transaction in relation to (1) Financial Services Framework Agreement (2022), (2) Master Sales Agreement (2022), (3) Master Processing Services Agreement (2022), and (4) Master Procurement Agreement (2022);

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

In 2022 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 2021 and 2022 respectively;

- approved and adopted the Anti-Corruption and Fraud Policy of the Company;

- approved and adopted the revised Terms of Reference of Remuneration Committee of the Company; and

- reviewed the Board Diversity Policy and set target aiming to increase the ratio of female representation in the Board to no less than 20% by or before 2028.

The Company has insured director's liability insurances for the directors, which provided protection to the directors for liabilities that might arise in the course of their performance of duties according to law and facilitate directors to fully perform their duties.

Board of Directors *(Continued)*

Chairman and President

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 President to ensure a balance of power and authority. The roles of the Chairman and the President 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 Chairman of the Company had met with Non-executive Directors (including Independent Non-executive Directors) from time to time without the Executive Director present during the year 2022. Moreover, the Chairman held a meeting with the independent non-executive directors without the presence of other directors.

The President 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.

Non-executive Directors and Independent Non-executive Directors

Non-executive directors do not belong to the management of the Company as they do not participate in the daily operation and management of the Group. However, they are also not considered to be independent. Independent non-executive directors are independent directors who meet the independence criteria under the Listing Rules. The non-executive directors (including the independent non-executive directors) of the Company have a term of appointment of three years. They have the same duties of care and skill and fiduciary duties as the executive director. They possess skills and experience in other aspects (such as financing and accounting, law, information technology, etc.) other than the Group's business knowledge, which helps to enhance the Board's balance of skills, experience and diversity of perspectives, whereby playing an important role in the Board.

The non-executive directors (including independent non-executive directors) serve as members of the Company's Board committees (including audit, remuneration, nomination and sustainable committee) and other responsibility committees, provide independent judgment to the Board to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, and monitor the Company's performance in achieving agreed corporate goals and objectives and the relevant reporting.

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.

During the year, the Board has at all times complied with the requirements of the Listing Rules about the qualification and number of the non-executive directors, including the appointment of at least three independent non-executive directors, of which at least one has appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules, and pursuant to the requirement of Rule 3.10A of the Listing Rules, the Company's independent non-executive directors representing at least one-third of the Board.

Board of Directors *(Continued)*

Non-executive Directors and Independent Non-executive Directors *(Continued)*

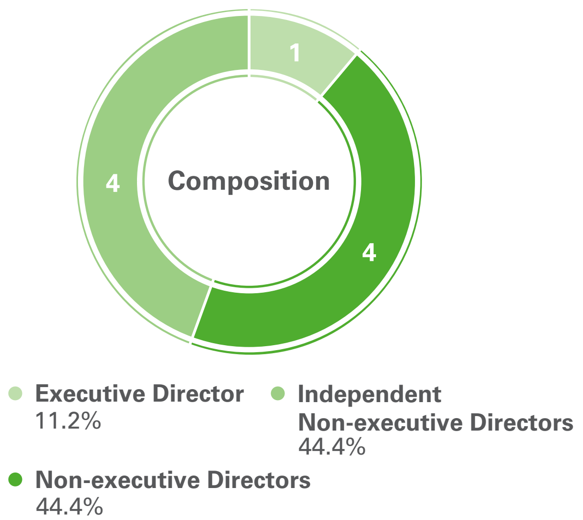
Although Mr. Tsui Kei Pang has served the Company for more than nine years, during his tenure of office, Mr. Tsui does not participate in the daily management of the Company, and has been able to fulfill all the requirements regarding independence of independent non-executive Director (including providing the annual confirmation of independence to the Company under Rule 3.13 of the Listing Rules) and provide different professional opinion from legal, compliance and regulatory perspectives to the Board, which has a positive effect on the corporate governance of the Company. Through exercising the scrutinising and monitoring function of independent non-executive Director, Mr. Tsui had contributed to an upright, efficient and good corporate governance Board for the interest of Shareholders. Hence, the Board considers that Mr. Tsui has discharged his duties as an independent non-executive Director to the satisfaction of the Board during his tenure of office, and believes that his valuable professional knowledge and good business acumen will continue to generate contribution to the Board, the Company and the Shareholders as a whole.

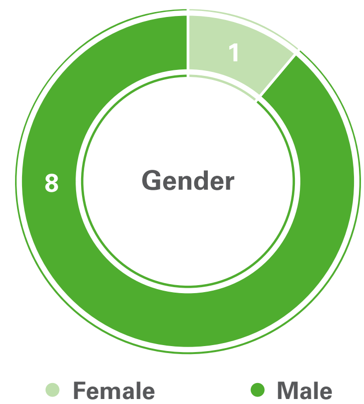
Reference is made to the Company's announcement dated 30 September 2022, Mr. Zhang Xueqian ceased to be an independent non-executive director of the Company, and ceased to be a member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from and upon the expiration of his letter of appointment on 30 September 2022. On the same day, Mr. Yang Lei was appointed as an independent non-executive director, and a member of each of the audit committee, remuneration committee and nomination committee of the Company after Mr. Zhang Xueqian's cessation as independent non-executive director of the Company.

The Company has received from each independent non-executive director a written confirmation of his/her 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 fulfilled the guidelines on independence as set out in Rule 3.13 of the Listing Rules and all to be independent.

Board Composition

The Board consists of nine members, made up of one Executive Director, four Non-executive Directors and four Independent Non-executive Directors (which constitutes over one- third of the Board, bringing in a sufficient independent voice). There is one female Director and eight male Directors. Details are as follows:





Board of Directors *(Continued)*

Board Composition *(Continued)*

Executive director	Non-executive directors	Independent non-executive directors
Mr. Yang Xiaohu *(President)*	Mr. Gao Xiang *(Chairman)*	Ms. Yien Yu Yu, Catherine
	Mr. Yu Yuqun	Mr. Tsui Kei Pang
	Mr. Zeng Han	Mr. Wang Caiyong
	Mr. Wang Yu	Mr. Yang Lei

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. Independent non-executive directors are committed to ensuring that the Board safeguards the interests of all the shareholders of the Company, and takes into account the concerns of stakeholders ensuring the fairness and reasonableness of the Board resolutions to promote the sustainable development of the Company. Latest biographical details of all Directors are given in the section headed "Directors and Senior Management" on pages 39 to 43 and on the Company's website.

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

Time Devotion 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 2022 and in 2023 (up to the date of this report) are set out in the paragraph headed "Director's Attendance" in this section.

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). They need to disclose to the Company from time to time for any changes and the time involved annually. No independent non-executive directors of the Company served seven listed companies or more. Information of Directors' office in other companies which is of significant nature is set out on pages 39 to 43 and on the Company's website.

The Company has also formulated the Board attendance policy during the year that unless there is a special reason or the low attendance rate due to a small number of meetings, the attendance rate of the directors in the Board meetings and major committees meetings of the Company should not be less than 80%. The attendance rate of all the directors of the Company in 2022 had reached 100%, and the overall attendance rate of all the directors in the meetings had reached 100%. The directors of the Company have also confirmed that they have given sufficient time and attention to the affairs of the Company for the year ended 31 December 2022.

Meetings of the Board

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.

Board of Directors *(Continued)*

Meetings of the Board *(Continued)*

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.

The Company has adopted the following practices to keep the directors informed of the latest information about the Group and facilitate the working of an effective and accountable Board:

- The public relations company appointed by the Company informs the executive director of the news relating to the Company on every working day.

- The management timely communicates the possible reasons causing the significant fluctuation in stock price that they are aware of.

- Send the report about the operational, investment and financial performance of the Group to the directors of the Company on a monthly basis.

- Send the investor relations report about the capital market updates and the highlights of the recent communications with investors.

- As most of the directors of the Company 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. Apart from encouraging them to attend in person, the directors could attend the meeting through electronic means of communication. For simple and straight forward Board resolutions, or a resolution that has been fully communicated through different communication channels and obtained the consent of all directors before the meeting, the Company Secretary will suggest the resolutions to be passed in the form of a written resolution with the relevant materials circulated together with draft resolutions to the full Board. Hence, the Board may review and approve certain issues in form of a written resolution. 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.

- Where a director is unable to attend a meeting, he/she is informed about the matters to be discussed and encouraged to express his/her views to the Chairman of the Board or the Company Secretary (or his/her assistant) prior to the meeting.

- Agree and execute the next annual plan for Board meetings and Board committee meetings as well as corporate events with directors by the Company secretary in December every year to reserve their times for attendance.

- 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/her assistant on company secretarial and regulatory matters, including board procedures and corporate governance practices. Where appropriate, they can also seek independent professional advice at the Company's expenses pursuant to the "Procedures for Directors to seek Independent Professional Advice" adopted by the Board.

Board of Directors *(Continued)*

Meetings of the Board *(Continued)*

The Company Secretary or his/her assistant is responsible for taking minutes of Board and Board Committee meetings with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the Board or dissenting views expressed, as well as the recommendations to improve the Company's corporate governance and internal control systems. 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). Minutes of the Board meetings and Board committees meetings have been recorded in sufficient details, and the signed copies are kept in the Company's minutes book maintained by the Company Secretary for Directors' inspection.

Director's Attendance

	No. of meetings attended during 2022					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General Meetings
Non-executive Director						
Mr. Gao Xiang *(Chairman)*	16/16	–	–	2/2	1/1	1/1
Executive Director						
Mr. Yang Xiaohu *(President)*	16/16	–	–	–	1/1	1/1
Non-executive Directors						
Mr. Yu Yuqun	16/16	–	–	–	1/1	1/1
Mr. Zeng Han	16/16	–	2/2	–	–	1/1
Mr. Wang Yu	16/16	–	–	–	–	1/1
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	16/16	4/4	–	–	–	1/1
Mr. Tsui Kei Pang	16/16	4/4	2/2	–	–	1/1
Mr. Zhang Xueqian (Note 1)	11/11	3/3	2/2	2/2	–	1/1
Mr. Wang Caiyong	16/16	4/4	–	2/2	–	1/1
Mr. Yang Lei (Note 1)	5/5	1/1	0/0	0/0	–	0/0

Note:

1. On 30 September 2022, Mr. Yang Lei was appointed as an independent non-executive director of the Company. On the same day, Mr. Zhang Xueqian ceased to be an independent non-executive director of the Company.

Board of Directors *(Continued)*

Director's Attendance *(Continued)*

	No. of meetings attended during 1 January 2023 to the date of this report					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Sustainable Committee	General Meetings
Non-executive Director						
Mr. Gao Xiang *(Chairman)*	2/2	–	–	1/1	–	–
Executive Director						
Mr. Yang Xiaohu *(President)*	2/2	–	–	–	–	–
Non-executive Directors						
Mr. Yu Yuqun	2/2	–	–	–	–	–
Mr. Zeng Han	2/2	–	1/1	–	–	–
Mr. Wang Yu	2/2	–	–	–	–	–
Independent Non-executive Directors						
Ms. Yien Yu Yu, Catherine	2/2	1/1	–	–	–	–
Mr. Tsui Kei Pang	2/2	1/1	1/1	–	–	–
Mr. Wang Caiyong	2/2	1/1	–	1/1	–	–
Mr. Yang Lei	2/2	1/1	1/1	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, including but not limited to:

- Newly-appointed Director will be briefed by the Company's legal advisor on director's responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances, the Listing Rules and the SFO). He will also be provided a memorandum on directors' duties and obligations which assists him in understanding his responsibilities as directors.

- The Chairman or the General Manager will give a general induction on the Group and the Company will provide relevant information and organise various activities, for example, plant visits, to ensure they properly understand the business and governance policies of the Company.

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

Board of Directors *(Continued)*

Directors' Training and Professional Development *(Continued)*

During the year, newly-appointed Director had been 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 was provided with a memorandum on directors' duties and obligations which assists him in understanding his responsibilities as directors.

During the year, the Company organised one seminar for the Directors relating to the introduction to the 2022 Listing Rules revision and summary of the ESG Review report by the Hong Kong Stock Exchange. Nine Directors, namely Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Zeng Han, Mr. Wang Yu, Ms. Yien Yu Yu, Catherine, Mr. Tsui Kei Pang, Mr. Wang Caiyong and Mr. Yang Lei 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 2022 to the Company.

During the year, the Group explained and provided training to employees on the preparedness for climate risks and opportunities, and climate-related financial disclosure ("TCFD"). The executive director, Mr. Yang Xiaohu, and the senior management of the Company were also invited to attend the seminar and the training. The directors and senior management have received training materials about the amendments on the Listing Rules for references as well from the Company Secretary.

During the year, the President of the Company updated the business and prospects of the Group in detail to the Board on four times, providing the directors of the Company an detailed update on the operation and business of the Group, management on exchange rate and credit risk as well as the perspective of the industries of clean energy, chemical and environment, and liquid food.

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 at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement 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.

According to the historical information of the past five years, the average term of re-election of each director is approximately two (2) years.

Board of Directors *(Continued)*

Nomination Policy

The Company has adopted "Nomination Policy" which sets out the selection criterial and nomination procedure of appointment of a director, and the details had been uploaded onto the Company's website. The criteria considered by the 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.

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

Board Diversity Policy and Practice

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. Details had been uploaded onto the Company's website and 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 ensure an appropriate balance of gender diversity on the Board by reference to international and local recommended best practice. Single-gender Board will be deemed to be non-compliant with the diversity policy.

- The Board will take opportunities to increase the ratio of female members over time when selecting and making recommendations on eligible candidates for Board appointments, aiming to increase the ratio of female representation in the Board to no less than 20% by or before 2028.

There is one female Director of total nine Directors (11.1% of the female Director) and in addition to the Directors, we have six senior management, among which there are two female senior management (33.3% of the female senior management). As at 31 December 2022, 15.16% of the Company's employees were female and 84.84% were male. While the Group strives to achieve the goal of employee diversity to the maximum extent possible, with gender diversity taking into consideration in staff recruitment, there remains limitation due to the nature of the Group's business, which is to the most part physically demanding, and the industry is dominated by males. The Company will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels, and to develop a pipeline of female senior management and potential successors to the Board.

Board of Directors *(Continued)*

Board Diversity Policy and Practice *(Continued)*

Measurable objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and non- executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board current consists of one female Director. The Board aims to increase the ratio of female representation in the Board to no less than 20% by or before 2028.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. Rules 3.10(1): at least one third of the members of the Board shall be independent non-executive Directors;

2. Rules 3.10(2): at least three of the members of the Board shall be independent non-executive Directors; and

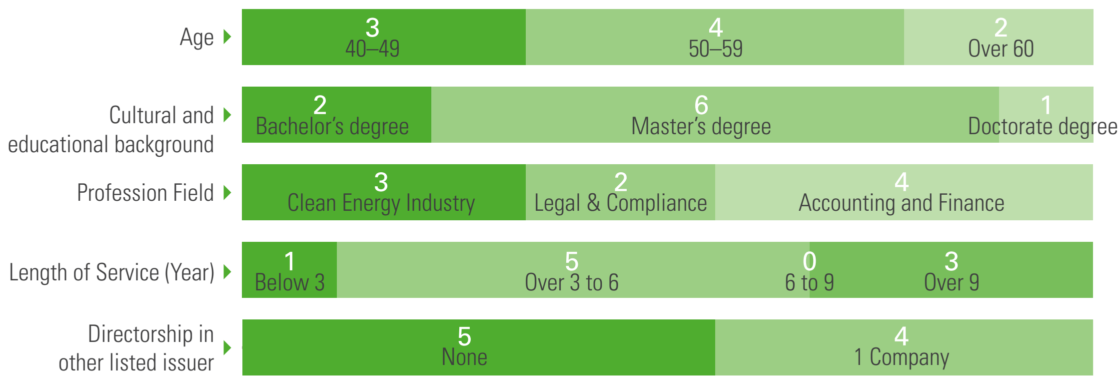
3. Rules 3.10A: at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy and complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

Board of Directors *(Continued)*

Board Diversity Policy and Practice *(Continued)*

Currently, the Board reflects various genders, cultural and educational backgrounds, and professional development. The directors' average years of service is 7, therefore they have deep knowledge of the Group. They have a broad range of individual attributes, interests and values, experiences and skills are balanced, therefore the Nomination Committee and the Board are of the view that the Board is diversified.



Mechanisms to Ensure Independent Views

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors and the independence of the independent non-executive director who has served for more than nine years.

2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the company policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive directors, and their contribution and access to external independent professional advice.

Board of Directors *(Continued)*

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 remuneration package consists of fixed and variable remuneration, cash and benefits in kind, including but not limited to: basic salary which is fixed to commensurate with market rate and each individual's experience and ability; year-end bonus and/or share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to shareholders' mandates as required and the applicable laws and regulations of relevant jurisdictions) and/or award shares; and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions.

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.

In evaluating the remuneration packages for directors and senior management of the Company, the Remuneration Committee takes into consideration various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment terms elsewhere in the Group. The remuneration of the executive director and senior management of the Company are linked with the Company and personal performance, such as environmental, social and corporate governance performance indicators. If employees violate applicable rules and regulations, depends on circumstances, his/her year-end performance bonus and/or medium to long term incentives payments, will be deducted as punishment.

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

Details of Directors' remuneration for the two years ended 31 December 2021 and 2022 respectively are listed out in note 10 to the financial statements.

Board of Directors *(Continued)*

Remuneration of Directors and Senior Management *(Continued)*

The remuneration payable to the members of senior management of the Company fell within the following bands for the year 2022:

	Number of individuals
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	3
HKD2,000,001 to HKD2,500,000	1

The above five Senior Management also participated in the Share Award Scheme 2020 of the Company, the CIMC Safe Tech Incentive Scheme and the CLPT Incentive Scheme respectively. During the year, the share-based payment expenses related to the aforementioned five individuals aggregated to approximately RMB7,513,000.

Delegation by the Board

Management Functions

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

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

The senior management, led by the President, 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.

Board Committees

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

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.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee

The Audit Committee is made up of all Independent Non-executive Directors. Ms. Yien Yu Yu, Catherine, being the Chairman of the Audit Committee, and Mr. Wang Caiyong, being a member of the Audit Committee, have appropriate professional qualifications, or accounting and/or related financial management expertise and experience. All members of the Audit Committee have sufficient experience in reviewing the audited financial statements as aided by auditors and senior management of the Group as well as reviewing the effectiveness of the risk management and internal control systems, the internal audit functions whenever required. None of them is a former partner of the external auditor of the Group. Its major responsibilities are:

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

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee *(Continued)*

The committee meets the external auditor and senior management of the Company regularly. Four Audit Committee meetings were held during the year 2022. The head of finance department, head of internal audit function and the representatives of the external auditor also attended the relevant meetings. Attendance of the members is set out below:

Members	Attendance/ number of meetings held during the Director's tenure	Number of meetings	Attendance	Independence
Ms. Yien Yu Yu, Catherine *(Chairman of the Audit Committee)*	4/4	4	100%	100%
Mr. Tsui Kei Pang	4/4			
Mr. Zhang Xueqian (Note 1)	3/3			
Mr. Wang Caiyong	4/4			
Mr. Yang Lei (Note 1)	1/1			

Note:

1. On 30 September 2022, Mr. Yang Lei was appointed as an independent non-executive director of the Company. On the same day, Mr. Zhang Xueqian ceased to be an independent non-executive director of the Company.

During 2022 and up to the date of this report, the Audit Committee held meetings principally for the following issues:

- made recommendations to the Board on the appointment and reappointment of external auditor, and approved the remuneration and terms of engagement of the external auditor for the year ended 31 December 2022;
- reviewed 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 2021 and the six months ended 30 June 2022, and made recommendations to the Board;
- reviewed the integrity of the Group's annual accounts for the year ended 31 December 2021, and the interim results for the six months ended 30 June 2022 with the external auditor;

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Audit Committee *(Continued)*

- discussed with the management and external auditor the issues that may have significant impact on the financial statements, including but not limited to impacts of COVID-19 on results performance, account receivables and cash flow management, and risk of impairment, etc.;
- reviewed the continuing connected transactions of the Group during 2022 which were subject to review by the Independent Non-executive Directors under the Listing Rules;
- reviewed 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;
- reviewed the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussed with the external auditor the impact of any changes in accounting policies as well as the nature and scope of annual audit and interim review plans before the commencement of the audit work, and their reporting responsibilities;
- reviewed the policy for provision of non-assurance services by external auditor;
- reviewed the external auditor's management letters and the management's response thereto; and
- listened to the work report of the head of internal audit functions, and reviewed the effectiveness of risk management and internal control systems of the Group and the whistle-blowing matters semiannually, and monitored the improvement (if any); and reviewed the work plan for 2023.

In 2022 and up to the date of this Report, the Company engaged PricewaterhouseCoopers as the external auditor of the Group. PricewaterhouseCoopers and PwC network provided audit and non-audit services to the Group with remuneration and terms of engagement approved by the Audit Committee, as follows:

Natural of Service	Fees RMB'000
– Audit services	12,400
– Non-audit services	4,285
Total	16,685

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

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. Yang Lei, 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. Details of the Company's remuneration policies and practices of Directors and senior management are set out in the section headed "Board of Directors – Remuneration of Directors and Senior Management" in this report.

Two Remuneration Committee meetings were held during the year. Attendance of the members is set out below:

Members	Attendance/ number of meetings held during the Director's tenure	Number of meetings	Attendance	Independence
Mr. Tsui Kei Pang *(Chairman of the Remuneration Committee)*	2/2			
Mr. Zeng Han	2/2	2	100%	67%
Mr. Zhang Xueqian (Note 1)	2/2			
Mr. Yang Lei (Note 1)	0/0			

Note:

1. On 30 September 2022, Mr. Yang Lei was appointed as an independent non-executive director of the Company. On the same day, Mr. Zhang Xueqian ceased to be an independent non-executive director of the Company.

In 2022, the Remuneration Committee had, amongst others, having reviewed the remuneration packages and structure for all Directors (except the members of the Remuneration Committee), assessing the performance of executive Directors, made recommendations to the Board on the remuneration packages of the directors and senior management of the Company for year 2022, made recommendations to the Board on the remuneration of new director of the Company.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Nomination Committee

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

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.

The Board adopted its "Nomination Policy" and "Board Diversity Policy", details had been uploaded onto the Company's website, and the summary of the policies are set out in the sections headed "Board of Directors – Nomination Policy" and "Board of Directors – Board Diversity Policy" in this report.

In September 2022, the Chairman of the Board recommended and introduced Mr. Yang Lei to the Board as an Independent Non-executive Director after Mr. Zhang Xueqian's cessation to be the Independent Non-executive Director of the Company, in consideration of that Mr. Yang Lei's valuable professional knowledge and extensive expertise and experience in the energy industry which will bring a fresh perspective and independent judgement to the Board and will be benefit for the development needs of the Company. After receiving the list of candidates for new director, the Nomination Committee had a dialogue with the Chairman of the Board and the candidate to understand the reasons for the recommendation and change, and assessed the merits of the candidate to the Company and the Board. In the selection process, the Nomination Committee evaluated the personal characteristics, field expertise, professional knowledge, industry qualifications and management experience of the candidate. After synthesising the evaluation opinions of all members on the candidates, the Nomination Committee made recommendations to the Board.

Two Nomination Committee meetings were held during the year. Attendance of the members is set out below:

Members	Attendance/ number of meetings held during the Director's tenure	Number of meetings	Attendance	Independence
Mr. Gao Xiang *(Chairman of the Nomination Committee)*	2/2			
Mr. Wang Caiyong	2/2	2	100%	67%
Mr. Zhang Xueqian (Note 1)	2/2			
Mr. Yang Lei (Note 1)	0/0			

Note:

1. On 30 September 2022, Mr. Yang Lei was appointed as an independent non-executive director of the Company. On the same day, Mr. Zhang Xueqian ceased to be the independent non-executive director of the Company.

Delegation by the Board *(Continued)*

Board Committees *(Continued)*

Nomination Committee *(Continued)*

In 2022, the Nomination Committee had, amongst others:

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

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

- assessed the independence of Independent Non-executive Directors;

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

- made recommendation to the Board on retirement plan of the Directors in annual general meeting according to the requirements of the articles of associations of the Company.

Sustainable Committee

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

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

In 2022, the Sustainable Committee held one meeting to consider, review and make recommendations to the Board on the Company's 2021 Environmental, Social and Corporate Governance Report and the work plan for 2022. In addition, the Group explained and provided training to employees on the preparedness for climate risks and opportunities, and TCFD. The Company is committed to improving the management of ESG, actively responding to the topics concerned by the capital market, and constantly integrating ESG culture and strategies into its daily operation. During the year, MSCI, a prestige ESG rating agency, upgraded the Company's ESG rating from BB to BBB. For more information on our ESG performance, please refer to the Company's 2022 Environmental, Social and Corporate Governance Report.

Company Secretary

Ms. Zhong Yingxin ("Ms. Zhong") was appointed as the Company Secretary of the Company with effect from 1 January 2022, and Mr. Cheong Siu Fai ceased to be the Company Secretary with effect from the same day, the details of which are set out in the announcement of the Company dated 31 December 2021. All Directors have access to the advice and services of Ms. Zhong, the Company Secretary, through the year 2022. The Company Secretary reports to the Chairman and/or the President on corporate governance matters, and is responsible to provide assistance to the Chairman, the Board, Board committees and the President, ensure good information flow within the Board and the Board procedures and policies are followed, and facilitate communications among Directors as well as with shareholders and management.

Company Secretary *(Continued)*

During 2022, Ms. Zhong undertook over 15 hours of relevant professional training to update her skills and knowledge in accordance with the requirement under Rule 3.29 of the Listing Rules. Ms. Zhong is an Associate Member of The Hong Kong Chartered Governance Institute. She is a full-time employee of the Company and her biography is set out on page 43 under the section headed "Directors and Senior Management" and on the Company's website.

Accountability and Audit

Financial Reporting

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

In order to enable the Board to make an informed assessment of the financial and other information put before its approval, Executive Directors are provided with financial and other operational information and analytical review reports of the Group on a monthly basis. And all the Directors were provided with provided with general financial information with explanation thereof (if appropriate) of the Group on a monthly basis as well as monthly update from the management on operation, investment and financial Performance, to enable them to assess the Company's operational performance and financial position in a timely manner. 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.

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 74. A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on page 107.

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.

Accountability and Audit *(Continued)*

Risk Management and Internal Controls *(Continued)*

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 processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

The Group implements the risk control strategy of "risk prevention first" to identify risks that may potentially affect the Group's business and operations, including but not limited to macroeconomic and policy situation risks, strategic management risks, EPC engineering project management risk, legal and compliance risk, research and development risk, financial and credit risk, contract risk, investment risk, procurement and supply chain risk, environment and health and safety risk, market risk and climate change. By means of daily communication with management and business departments (including but not limited to: corporate management, financial management, strategy and investment, engineering, procurement, legal compliance, marketing and customer service, etc.) on concerns about the development of international and domestic political and economic situations, the Group dynamically identify risks require attention or sudden risks which may potentially affect the Group's business and operations and establish a list for risks identified.

Risk Assessment

The Group carries out risk assessment every year, assesses the importance of risks identified by using the assessment criteria developed by the management and prioritizes the same from the perspective of the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Conducts research and interviews with competent authorities to recognize sources of important risks identified and assessed, analyze risk causes, determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks;

- Provides business with risk control rules and standards, implements customized coping strategies and solutions based on business risk scenarios, performs ongoing and periodic monitoring of the nature and extent of the significant risks to ensure these risks are under effective management and control;

- Strengthens the monitoring and warning function of the internal control and risk management systems continuously based on the result of risk assessment, including the use of digital applications to achieve automatic analysis and early alert of business risks throughout the key business processes; and

- Provides appropriate special training according to the needs of different risk control positions, including environmental, health and safety training, anti-corruption training for key personnel, etc., with the purpose of promoting compliance culture and enhancing risk prevention awareness and risk alert capability of all staff.

Accountability and Audit *(Continued)*

Risk management and Internal controls *(Continued)*

Risk Monitoring and Reporting

- Establishes hierarchical supervisory responsibilities in the Group to ensure that risk monitoring is objective and effective;

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place;

- Revises the risk management strategies and internal control procedures in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

The main features of the Group's risk management and internal control systems:

The Group's risk management and internal control systems are designed, implemented and monitored with reference to guidance documents such as COSO's Enterprise Risk Management – Integrated Framework and ISO31000 "Principles and Implementation Guidelines of Enterprise Risk Management". The Group established a risk management system and management mechanism that serves the Company's development strategy, formulated the "CIMC Enric Holdings Risk Management Manual". Featured by distinct division of powers and responsibilities, comprehensive coverage, prevention and control with focus, full involvement of employees and effective management and control, the system accords with the actual business conditions of the Company.

The Company established a risk management system that covers pre-event risk assessment, internal monitoring during the event, post-event audit evaluation, and defect rectification and tracking within a time limit. The system is designed to focuses on the integration with the existing business system as well as the Company's 5S management system for implementing strategic control. The risk management begins with the development strategy and is committed to ensuring the realization of the development strategy goals via process design. The Company's risk management organization system deems members under the Group and the first-level process departments of the headquarters as the first line of defense, which mainly responsible for controlling business risks; departments with risk management and control responsibilities such as risk management, internal monitoring, legal affairs and finance departments as the second line of defense, which responsible for compliance consultation, guidance, coordination and supervision on system design for business risk management and control; the audit committee of the Board of Directors and internal audit and supervision agencies as the third line of defense, which is responsible for supervision and evaluation of business risk management and control. These three lines of defense allows all employees to participate in the Company's risk management and control, vesting each organization clear rights and responsibilities to perform their own duties.

The Company continuously and regularly reports major matters such as risk management and internal control systems construction and operation to the management in a timely manner, assisting the management to understand the risk management situation and review the system in a timely manner, thus constantly optimize the risk management and internal control systems. Meanwhile, the Company includes risk and internal control management as "deduction indicators" into the quarterly and annual performance appraisals of the Company's business centers and members. The internal control audit function is responsible for evaluating the internal control of the Company on a quarterly and annual basis, while the assessment results are included in the quarterly and annual performance evaluations of members, providing a strong mechanism guarantee for the effective operation and continuous improvement of risk management and internal control systems, and guiding companies to upgrade risk prevention and control and internal control compliance management.

Accountability and Audit *(Continued)*

Risk management and Internal controls *(Continued)*

The process used by the Group to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects are summarised as follows:

The internal audit division of the Company is responsible for monitoring the effectiveness of 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. After a holistic review of the Group, the internal audit division of the Company submitted a written report on the effectiveness of the Group's risk management and internal control systems to the Audit Committee for review on a yearly basis.

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

The 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.

Internal Audit Team

The Group has established an internal audit team, which assesses the adequacy and effectiveness of the risk management and internal control systems of the Group regularly, and reports to the Audit Committee and the Board on the audit results annually and makes recommendations to the management and the Board to address the significant deficiencies of the system or problems that are identified during the monitoring process. The internal audit team has the right of access to all information of the Company to perform its duties.

Whistleblowing Policy

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

Accountability and Audit *(Continued)*

Anti-corruption Policy

The Company is committed to achieving and maintaining the highest corporate cultures of openness, probity and accountability, setting up strict "CIMC Enric Anti-Corruption and Fraud Policy" which applies to all employees, covering directors and employees at all levels of the Group and encourages all business partners, including major shareholders, joint venture partners, agents, consultants, contractors, suppliers and other stakeholders of the Group who are involved in relations with the Group, shall follow the principles of the anti-corruption policy. The Anti-corruption policy is publicly available on the Company's website.

Inside Information

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.

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 2022.

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 2022

In 2022, the Company held one general meetings, being AGM.

The AGM was held on 20 May 2022 at iPro Financial Press Limited, Units 1203B, 1204–1205, 12/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong. Seven ordinary resolutions and one special resolution were proposed in the meeting. More than 50% of votes were cast in favour of all the ordinary resolutions and no less than 75% of the votes were cast in favour of the special resolution. The proposed resolutions were therefore passed as 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 2021;
- declaration of a final dividend in respect of year 2021 of HKD0.21 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;
- granting of general mandates to issue shares and to repurchase shares; and
- adoption of the new memorandum and articles of association of the Company.

Full text of the above resolutions is set out in the notice of AGM of the Company dated 11 April 2022. The poll results of the AGM have been published on the websites of the Stock Exchange and the Company.

In light of the above policies and communication channels already in force, and the annual general meeting held during the year which enabled the Directors to exchange views with the shareholders and answer their questions, the Board has reviewed and considered that the Company's shareholder communication policy has been appropriately implemented and remains effective during the year ended 31 December 2022.

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	:	(86) 755 2680 2312/(86) 755 2680 2134
By fax	:	(852) 2865 9877
By post	:	Suites 1902-3, 19th Floor, Bank of America Tower, No.12 Harcourt Road, Central, Hong Kong
By email	:	ir@enric.com.hk

The latest investor relations information is available at the Company's investor relations portal at https://www.enricgroup.com/ircommunication.

Changes of the Memorandum and Articles of Association

During the year ended 31 December 2022, amendments for the purpose of (i) bringing the Memorandum and Articles of Association in line with the relevant requirements of the applicable laws of the Cayman Islands, the Listing Rules and the Companies Ordinance; (ii) providing flexibility to the Company in relation to the conduct of general meetings; and (iii) making other consequential and housekeeping amendments, and in view of the number of proposed changes, were made to the Company's memorandum and articles of association and approved by the Shareholders by way of special resolution at the Annual General Meeting held on 20 May 2022. The latest version of the Company's memorandum and articles of association has been published on the websites of the Stock Exchange and the Company.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 23 March 2023

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 2022.

Principal Activities and Business Review

The principal activity of the Company is investment holding.

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

Key financial and business performance indicators

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

The Group's net assets increased by 12.1% to RMB9,527,507,000 (2021: RMB8,499,677,000) which was mainly attributable to net profit RMB1,084,938,000 which was partially offset by dividend pay-out of RMB364,258,000 during the year.

Revenue rose by 6.4% to RMB19,601,761,000 (2021: RMB18,424,763,000) which shows the Group's revenue generating ability has recovered along with recovery of the global economy.

Profit attributable to equity shareholder rose by 19.4% to RMB1,055,062,000 (2021: RMB883,581,000) indicates the Group has recovered the ability in enhancing equity shareholders' value comparing with last year.

Return on equity rose by 0.7 percentage point to 12.1% (2021: 11.4%) which indicates the Group has improved on its efficiency in using equity to generate profit.

Gearing ratio decreased from 21.7% in 2021 to 21.0% in 2022 mainly because of a rise in the Group's net asset value as a result of the increase in net profit 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 energy, chemical and liquid food industries. The Group's normal course of business is exposed to a variety of key risks including credit, liquidity, interest rate and currency risks. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 5 to the financial statements.

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

Environmental policies and performance

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

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

For further details, please refer to the Environmental, Social and Governance Report, which will be reported separately from this report and will be published at the same time with this Annual 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 2022 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 112 to 218.

Dividends and Reserves

The Board is pleased to propose a final dividend in respect of 2022 of HKD0.24 per ordinary share (the "2022 Final Dividend"), subject to the approval of shareholders in the forthcoming annual general meeting to be held on 17 May 2023.

Details of movements in the reserves of the Company and of the Group during the year are set out in note 47 to the financial statements and the consolidated statement of changes in equity.

Dividend Policy

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

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

The Board of Directors proposed to keep a 40% payout ratio for the year 2022.

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 2022 is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	6.0%	–
Five largest customers in aggregate	21.5%	–
The largest supplier	–	26.5%
Five largest suppliers in aggregate	–	38.4%

Note:

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

Property, Plant and Equipment

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

Retirement Schemes

The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. In Europe, the Group operates various qualified defined benefit pension plans which are funded through payments to insurance companies. Particulars of retirement benefits are set out in note 41 to the financial statements. During the year ended 31 December 2022, no forfeited contributions under the government pension schemes in Mainland China and the mandatory provident fund scheme in Hong Kong were utilized by the Group to reduce its contributions for the current year.

Charitable Donations

During the year, charitable donations made by the Group amounted to RMB493,000 (2021: RMB485,000).

Convertible Bonds

On 16 November 2021, the Company as issuer and Morgan Stanley & Co. International plc as manager (the "Manager") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which and subject to the fulfilment (or waiver) of the conditions precedent set forth in the Subscription Agreement therein, the Company has agreed to issue, and the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the zero coupon convertible bonds due 2026 in the aggregate principal amount of HKD1,680,000,000 (the "Convertible Bonds"). On 30 November 2021, all conditions precedent under the Subscription Agreement were fulfilled and the issue of the Convertible Bonds were completed. Following the payment of dividend in 2022, the conversion price of the Convertible Bonds was adjusted from HKD11.78 to HKD11.49 per Share pursuant to the terms and conditions of the Convertible Bonds. The maximum number of Shares issuable by the Company upon conversion of all the outstanding Convertible Bonds amounted to 146,214,099 Shares as at 31 December 2022 and no conversion had been made up to that date. For further details of the Convertible Bonds, please refer to the offering circular of the Company dated 25 November 2021, the announcement of the Company dated 13 July 2022 and note 35 to the financial statement of this report.

Convertible Bonds *(Continued)*

The net proceeds from the issue of convertible bonds, after the deduction of fees, commissions and expenses payable was approximately RMB1,356,104,000 (the "Net Proceeds"). Set out below is a summary of the utilisation of the Net Proceeds as at 31 December 2022:

	Net Proceeds (RMB million)				
		Amount utilised for the year ended			
Purpose of Net Proceeds	**Planned use of proceeds**	**31 December 2021**	**31 December 2022**	**Amount unutilised as at 31 December 2022**	**Expected timeline for utilising the unutilised Net Proceeds**
For enhancement and expansion of business operations					
– For upgrade of property, plant and equipment	202	52	150	–	
– For development of joint ventures and investment in associates	205	25	5	175	On or before 31/12/2023
Sub-total	407	77	155	175	
For improvement of research and development capabilities	180	28	152	–	
For potential mergers and acquisitions	183	–	–	183	On or before 31/12/2023
For general corporate purposes					
– For repayment of bank loans	529	529	–	–	
– For working capital	57	57	–	–	
Sub-total	586	586	–	–	
Total	1,356	691	307	358	

Share Capital

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

Share Issued

During the year, the Company has issued shares as a result of the exercise of share options under the share option scheme of the Company, a total of 558,000 shares of the Company, fully paid, were issued for a total consideration of RMB5,364,000.

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

Equity-linked Agreements

Save for the share option and share award schemes and the convertible bonds as set out on pages 83 to 86, on pages 87 to 94, and on pages 78 to 79 respectively, no equity-linked agreements were entered into by the Group, or existed during the year.

Bank Loans and Overdrafts

Details of bank loans and overdrafts of the Group at 31 December 2022 are set out in note 30 to the financial statements.

Financial Summary

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

Directors

The Directors during the year ended 31 December 2022 and up to the date of this report were:

Non-executive Directors

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

Executive Director

Mr. Yang Xiaohu *(President)*

Independent Non-executive Directors

Ms. Yien Yu Yu Catherine
Mr. Tsui Kei Pang
Mr. Wang Caiyong
Mr. Yang Lei *(appointed as independent non-executive Director on 30 September 2022)*
Mr. Zhang Xueqian *(appointment as independent non-executive Director expired on 30 September 2022)*

At the forthcoming AGM, Mr. Gao Xiang, Mr. Yang Xiaohu, and Mr. Tsui Kei Pang will retire by rotation and, being eligible, offer themselves for re-election in accordance with articles 84(1) and 84(2) of the Articles. Pursuant to article 83(3) of the Articles, Mr. Yang Lei will retire subject to the re-election at the AGM.

Disclosure pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's last published interim report are set out below:

Mr. Zhang Xueqian has ceased to be an independent non-executive director of the Company, and ceased to be a member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from and upon the expiration of his letter of appointment on 30 September 2022 as he would like to devote more time to his other personal commitments.

Mr. Yang Lei has been appointed as an independent non-executive director, and a member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from 30 September 2022.

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 2022, 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 (Note 1)

Name of Director	Capacity	Interests in underlying shares pursuant to share options and the restricted share award scheme	% of issued share capital (Note 2)
Gao Xiang	Beneficial owner	1,500,000	0.074%
Yang Xiaohu	Beneficial owner	1,520,000	0.075%
Yu Yuqun	Beneficial owner	766,667	0.038%
Zeng Han	Beneficial owner	400,000	0.020%
Wang Yu	Beneficial owner	320,000	0.016%
Yien Yu Yu, Catherine	Beneficial owner	100,000	0.005%
Tsui Kei Pang	Beneficial owner	400,000	0.020%
Wang Caiyong	Beneficial owner	100,000	0.005%

Notes:

1. These information is based on the disclosure of interests forms published on the website of the Stock Exchange as at 31 December 2022.

2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2022, which was 2,028,277,588.

Directors' Interests in Shares *(Continued)*

Long position in the shares of the Company (Note 1) *(Continued)*

Save as disclosed above, as at 31 December 2022, 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 2022, nor have any such rights been granted or exercised during the year.

Substantial shareholders' interests in shares

As at 31 December 2022, 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 (Note 1):

Substantial shareholder	Capacity	Number of shares held	% of issued share capital (Note 2)
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Interest of controlled corporation	1,371,016,211 (Note 3) (L)	67.60%
China International Marine Containers (Hong Kong) Limited ("CIMC HK")	Interest of controlled corporation	190,703,000 (Note 4) (L)	9.40%
	Beneficial owner	1,180,313,211 (Note 3) (L)	58.19%
	Interests held jointly with another person	80,000,000 (S)	3.94%
Charm Wise Limited ("Charm Wise")	Beneficial owner	190,703,000 (Note 4) (L)	9.40%
朱雀基金管理有限公司	A concert party to an agreement to buy shares described in S.317(1)(a)	141,942,000 (L)	7.00%

Notes:

L – long position
S – short position

1. These information is based on the disclosure of interests forms published on the website of the Stock Exchange as at 31 December 2022.

2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2022, which was 2,028,277,588.

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

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

Save as disclosed above, as at 31 December 2022, (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 Share Option Scheme adopted on 12 July 2006

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

Under the Scheme 2006, the Board is authorised, at its absolute discretion, to invite any Directors (whether executive or non-executive) or any employees (whether full-time or part-time) of any member of the Group, and any eligible persons to subscribe for shares of the Company.

The Scheme 2006 has a term of 10 years and shall expire on 11 July 2016, after which no further options will be granted. The share options 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. The Scheme 2006 was terminated on 20 May 2016, after which no further share option may be granted under the Scheme 2006, but in all other respects the provisions of the Scheme 2006 remain in full force and effect and share options granted prior to such termination continue to be valid and exercisable in accordance with the provisions of the Scheme 2006.

There is no minimum period which a share 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 share options granted must be taken up within 14 days from the date of grant and on acceptance of each grant, a consideration of HKD1.00 is payable.

The exercise price of a share 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; (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 share options may be granted under the Scheme 2006 shall not exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme 2006. As at 31 December 2022, 29,941,000 share options granted under the Scheme 2006 remained outstanding. Accordingly, the number of Shares to be issued upon exercise of all these share options represented approximately 1.48% and 1.48% of the issued share capital of the Company as at 31 December 2022 and as at the date of this report, respectively.

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

Where further grant of share options to a participant would result in the Shares issued and to be issued upon exercise of all share options granted and to be granted to such participant (including exercised, cancelled and outstanding share 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.

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 2006. A total of 960,000 number of these options were lapsed during the year of 2022.

Share Options *(Continued)*

The Share Option Scheme adopted on 12 July 2006 *(Continued)*

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

During the year ended 31 December 2022, movements of the options under the Scheme 2006 were as follows:

				Number of share options					
Grantee	Date of grant	Exercise price of options (per Share)	Exercisable period	outstanding at 1 January 2022	granted during the year	exercised during the year	lapsed/ cancelled during the year	transferred to/ from other category	outstanding at 31 December 2022
Directors									
Gao Xiang	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yang Xiaohu	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	400,000	–	–	–	–	400,000
Yu Yuqun	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Tsui Kei Pang	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	300,000	–	–	–	–	300,000
Zhang Xueqian (cessation on 30 September 2022)	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	300,000	–	–	–	(300,000)	–
				1,700,000	–	–	–	(300,000)	1,400,000
Employees	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	25,289,000	–	(408,000) (Note 2)	(760,000)	(400,000)	23,721,000
Other participants	05/06/2014 (Note 1)	HKD11.24	05/06/2016–04/06/2024	4,470,000	–	(150,000) (Note 2)	(200,000)	700,000	4,820,000
Total				31,459,000	–	(558,000)	(960,000)	–	29,941,000

Notes:

1. 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.

2. The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year ended 31 December 2022 was approximately HKD11.76 per share.

For details of the fair value of the share options granted under the Scheme 2006 and the relevant assumptions, please refer to note 36 to the financial statements.

Share Options *(Continued)*

The Share Option Scheme adopted on 20 May 2016

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 2006. Upon termination of the Scheme 2006, no further option may be granted under the Scheme 2006, but in all other respects the provisions of the Scheme 2006 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 2006.

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

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

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

The maximum number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company as at the date of adoption of the New Scheme (i.e. 193,660,608 Shares, representing approximately 9.55% of the issued shares of the Company as at the date of this report). 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.

Share Options *(Continued)*

The Share Option Scheme adopted on 20 May 2016 *(Continued)*

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. Where any options to be granted to a substantial shareholder of the Company or independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all the options granted and to be granted under the New Scheme and any other share option scheme (including options exercised, cancelled and outstanding) to such person in the period of 12 months up to and including the date of the grant (i) representing in aggregate over 0.1% of the total number of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, over HKD5,000,000, the further grant of options must be approved by the Shareholders in general meeting. 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 1 January 2022 and 31 December 2022, the number of options available for grant under the New Scheme is 193,660,608.

As at the date of this report, a total number of 223,601,608 Shares representing 11.02% of the issued share capital of the Company, are available to be issued under the Scheme 2006 and New Scheme.

Saved as disclosed above, no options were granted, exercised, lapsed or cancelled for the year ended 31 December 2022.

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:	The purposes of the 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.
Eligible participants:	Any directors (excluding independent non-executive directors of the Company), senior management, middle management or any other backbone employees of the Group who have a direct influence on the operating performance and future development of the Company, and any other persons the Board may approve.
Term:	It shall be effective and continue in full force for four years commencing from the Adoption Date. Unless otherwise specified in the Award Scheme, the shares (the "Restricted Shares") which are granted and subsisting prior to such termination shall continue to be effective and shall be vested pursuant to the provisions of the Award Scheme accordingly. The Award Scheme has expired on 25 June 2022, and no further Restricted Shares may be granted under the Award Scheme.
Number of Shares:	Maximum number of 50,000,000 Restricted Shares, representing approximately 2.47% of the issued shares of the Company as at the date of this report.
Subscription price:	The subscription price of the Restricted Shares was HKD3.71 per Share. The subscription price was determined based on the highest of: (a) 50% of the average closing price of the Share as quoted on the Stock Exchange for the five consecutive trading days immediately before 26 June 2018, i.e. the date of the announcement (the "Award Scheme Announcement") of the Company in relation to ,among other things, the adoption of the Award Scheme and the proposed issue of the Restricted Shares (i.e. HKD3.71 per Share); (b) 50% of the closing price of the Share as quoted on the Stock Exchange the trading day immediately before the date of the Award Scheme Announcement (i.e. HKD3.61 per Share); and (c) the net asset value per Share as at 31 December 2017 (i.e. HKD3.61 per Share). The subscription price of HKD3.71 for each Restricted Share shall be paid within 90 days after the resolution in relation to the Award Scheme having been approved by the Shareholders in the general meeting of the Company and other related approvals having been obtained.
Operation:	Trustee shall hold the Restricted Shares and the distribution(s) derived from the Restricted Shares referable to the Selected Participants (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.

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

	Restricted Share Award Scheme (2018)
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. Subject to the fulfillment of the vesting conditions, 30% of the Restricted Shares granted shall be vested within 12 months from the date of completion of the issue and allotment of the Restricted Shares; 30% shall be vested within 12 months from the date after the first vesting period; and 40% shall be vested within 12 months from the date after the second 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.

There is no maximum entitlement of a Selected Participant under the Award Scheme.

The Company entered into a trust deed with the trustee to constitute the trust in connection with the Award Scheme for the purpose of the grant of Grant Shares to selected participants.

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)*

Among the 46,212,500 Restricted Shares have been allotted to and accepted by the Selected Participants, 3,400,000 Restricted Shares were allotted to the Directors, 10,957,000 Restricted Shares were allotted to 36 directors of certain subsidiaries of the Company, and 31,855,500 Restricted Shares were allotted to other participants (who were employees of the Group). Details of the Restricted Shares granted under the Award Scheme were as follows:

Name of grantees	Date of grant	Number of Restricted Shares granted
Directors		
Gao Xiang	24 August 2018	1,000,000 (Note)
Yang Xiaohu	24 August 2018	1,200,000 (Note)
Yu Yuqun	24 August 2018	400,000 (Note)
Zeng Han	24 August 2018	400,000 (Note)
Wang Yu	24 August 2018	400,000 (Note)
36 directors of certain subsidiaries of the Company	24 August 2018	10,957,000 (Note)
Other participants (employees of the Group)	24 August 2018	31,855,500 (Note)
Total		46,212,500 (Note)

Note: The Restricted Shares granted under the Award Schemes shall be vested in three tranches (30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively), subject to the terms of the Award Scheme and fulfillment of relevant vesting conditions (including (i) the net profits of the Group of the relevant year reaching the prescribed threshold; and (ii) the individual assessments of the Selected Participants). The vesting conditions for the first and second tranches of the Restricted Shares had been fulfilled, and as a result a total of 13,722,750 Restricted Shares and 13,504,050 Restricted Share were vested to the Selected Participants during the years 2019 and 2020, respectively. As the relevant vesting conditions for the third tranche of the Restricted Shares were not met, the remaining 17,425,000 Restricted Shares were forfeited in 2021. In addition, an aggregate of 1,560,700 Restricted Shares were forfeited prior to 31 December 2021 due to the cessation of employment of certain participants or non-payment of the subscription price by the relevant participant.

All Restricted Shares granted under the Award Scheme had either been vested or forfeited as at 31 December 2021. As a result, there is no outstanding Restricted Shares granted but unvested as at 1 January 2022. Further, during the year ended 31 December 2022, no Restricted Shares were granted under the Award Scheme.

Share Award Scheme 2020

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

	Share Award Scheme 2020
Purpose:	The purposes of the Award Scheme 2020 are (a) to provide eligible participants with an opportunity to own Shares in the Company thereby aligning the interests of the eligible participants with that of the Shareholders; (b) to incentivise eligible participants to benefit from value enhancement through delivery of performance targets; and (c) to encourage and retain Eligible Participants to make contributions to the long-term and sustainable growth of the Group. The Award Scheme 2020 forms part of the overall incentive plan for the employees of the Group. The Shares to be granted to Participants under the Award Scheme 2020 (the "Grant Shares") shall be in lieu of part of the cash bonus awarded under the overall incentive plan.
Eligible Participants:	Any employee of the Group at level 7 or above, and any employee of the Group selected by the Board.
Term:	Subject to any early termination of the Award Scheme 2020 in accordance with the Award Scheme 2020 Rules, the Award Scheme 2020 shall be valid and effective for a period of 10 years commencing from the adoption day of Award Scheme 2020 (i.e. up to 2 April 2030).
Number of Shares:	The total number of Shares which may be purchased or issued pursuant to the Award Scheme 2020 shall not in aggregate exceed 2% of the Company's total number of issued Shares as at the adoption day of Award Scheme 2020 (i.e. maximum 40,209,691 Shares).
Maximum number of Shares that can be granted to eligible participants:	The maximum number of Shares which may be granted to a participant at any one time or in aggregate under the Award Scheme 2020 must not exceed 0.5% of the Company's total number of issued Shares as at the adoption date of Award Scheme 2020 (i.e. maximum 10,052,422 Shares).
Subscription price:	The subscription price of the Restricted Shares shall be the average cost per Share purchased from the market by the trustee pursuant to the Award Scheme 2020 for the relevant grant.

Share Award Scheme 2020 *(Continued)*

	Share Award Scheme 2020
Operation:	The Board may from time to time cause to be paid to the trustee such amount required for the completion of the purchase of Shares on the Stock Exchange out of the Company's resources (15% of such sum will be paid out of the undistributed bonus of the management team of the Company, while the remaining 85% will be paid out of the internal funds of the Company). The trustee shall apply such amount towards the purchase of Shares in board lots only on the Stock Exchange at the prevailing market price. An initial amount of HKD160,000,000 has been budgeted for the purchase of Shares on the Stock Exchange. Subject to the prior approval of the Board, the budget of HKD160,000,000 may be revised if necessary. If the Shares to be granted are new Shares to be allotted and issued by the Company, the Company shall cause such Shares to be allotted and issued to the Trustee. The trustee shall hold such Shares in accordance with the terms of the terms of the trust deed and shall transfer such Shares to the relevant participants after all the relevant vesting conditions are fulfilled.
Restrictions:	No grant and no issue and allotment of Shares shall be made by the Company, no payment shall be made and no instruction shall be given by the Company to the trustee to purchase Shares under the Award Scheme 2020 where any Director is in possession of Inside Information (as defined in the SFO) in relation to the Company or where dealings in the Shares are prohibited under all applicable laws, rules and regulations including without limitation the Listing Rules and/or the SFO. The transfer of vested Shares by the trustee to the relevant participants is not prohibited during such periods.
Vesting:	The vesting of the grant shares is always subject to the participant remaining as an eligible participant after the date of the grant and on the vesting date. Any Share held by the trustee on behalf of a participant pursuant to the Award Scheme 2020 rules shall vest in such participant in accordance with the vesting condition(s) or vesting schedule as determined by the Board from time to time under the Award Scheme 2020 rules.
Vesting Rights:	Trustee shall not exercise any voting rights in respect of any Shares held under the trust. No instruction as to voting may be given by any participant to the trustee in respect of the grant Shares prior to the vesting of such grant shares in the participant.

Share Award Scheme 2020 *(Continued)*

During the year ended 31 December 2022 no Shares were purchased by the Trustee on the market for the purpose of the Award Scheme 2020.

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

The Company entered into a trust deed with the trustee to constitute the trust in connection with the Award Scheme 2020 for the purpose of the grant of Grant Shares to selected participants from time to time.

On 17 November 2021, following the adoption of the Award Scheme 2020, the Board resolved to make a grant of 33,324,006 Grant Shares to the relevant grantees (including the Directors) under the Award Scheme 2020. Further, during the year ended 31 December 2022, a total of 2,991,708 Grant Shares were granted to the relevant grantees (comprising only employees of the Group) under the Award Scheme 2020. The aforesaid Grant Shares were satisfied by acquisition by the trustee under the Award Scheme 2020 of the relevant number of Shares from the open market.

Since adoption of the Award Scheme 2020 and up to 31 December 2022, the trustee had purchased in total 39,198,000 shares of the Company under the Award Scheme 2020. No purchase of Shares from the market were made by the trustee under the Award Scheme 2020 during the year ended 31 December 2022.

As at 1 January 2022 and 31 December 2022, the remaining number of Shares which may be further purchased or issued pursuant to the Award Scheme 2020 was 1,011,691 Shares. Further, the total remaining number of Shares which may be further purchased or issued under the Award Scheme 2022 (i.e. 1,011,691 Shares) represents approximately 0.05% of the issued shares of the Company as at the date of this report.

Share Award Scheme 2020 *(Continued)*

Details of the movements of the Grant Shares granted under the Award Scheme 2020 during the year ended 31 December 2022 are as follows:

Grantee	Date of Grant	Number of Grant Shares	Subscription price (per Share)	Closing price of Shares immediately before the date of grant of the Grant Shares	Granted but not vested as at 1 January 2022	Granted and held by the Trustee	Vested (Note 2)	Lapsed/ cancelled	Granted but not vested as at 31 December 2022	Vesting Period (Note 3)
					Number of Grant Shares	(During the year ended 31 December 2022)				
Directors										
Gao Xiang	17 November 2021 (Note 1)	1,200,000	HKD3.7	HKD9.2	1,200,000	–	400,000	–	800,000	April 2022 to April 2024
Yang Xiaohu	17 November 2021 (Note 1)	1,200,000	HKD3.7	HKD9.2	1,200,000	–	400,000	–	800,000	April 2022 to April 2024
Yu Yuqun	17 November 2021 (Note 1)	800,001	HKD3.7	HKD9.2	800,001	–	266,667	–	533,334	April 2022 to April 2024
Zeng Han	17 November 2021 (Note 1)	600,000	HKD3.7	HKD9.2	600,000	–	200,000	–	400,000	April 2022 to April 2024
Wang Yu	17 November 2021 (Note 1)	600,000	HKD3.7	HKD9.2	600,000	–	200,000	–	400,000	April 2022 to April 2024
Yien Yu Yu, Catherine	17 November 2021 (Note 1)	300,000	HKD3.7	HKD9.2	300,000	–	100,000	–	200,000	April 2022 to April 2024
Tsui Kei Pang	17 November 2021 (Note 1)	300,000	HKD3.7	HKD9.2	300,000	–	100,000	–	200,000	April 2022 to April 2024
Zhang Xueqian (ceased to be an independent non-executive Director on 30 September 2022) (Note 4)	17 November 2021 (Note 1)	300,000	HKD3.7	HKD9.2	300,000	–	100,000 (Note 4)	125,000 (Note 4)	75,000	April 2022 to April 2024
Wang Caiyong	17 November 2021 (Note 1)	300,000	HKD3.7	HKD9.2	300,000	–	100,000	–	200,000	April 2022 to April 2024
Employees										
Top 4 highest paid individuals (excluding Director)	17 November 2021 (Note 1)	1,410,000	HKD3.7	HKD9.2	1,410,000	–	470,000	940,000	0	April 2022 to April 2024
Other Employees	17 November 2021 (Note 1)	26,314,005	HKD3.7	HKD9.2	26,314,005	–	9,585,335	1,172,000	15,556,670	April 2022 to April 2024
	26 May 2022 (Note 1)	65,000	HKD3.7	HKD8.11	–	65,000	65,000	–	–	26 May 2022
	14 July 2022 (Note 1)	300,000	HKD3.7	HKD8.20	–	300,000	300,000	–	–	14 July 2022
	7 December 2022 (Note 1)	2,626,708	HKD3.7	HKD7.99	–	2,626,708	–	–	2,626,708	April 2023 to April 2024
Total		36,315,714			33,324,006	2,991,708	12,287,002	2,237,000	21,791,712	

Share Award Scheme 2020 *(Continued)*

Notes:

1. Other than the Subscription Price which shall be paid by the participants at the prescribed time according to the terms of the Award Scheme 2020, no other payment is required for acceptance of the grant of the Grant Shares.

2. The weighted average closing price of the shares immediately before the dates on which the Grant Shares were vested during the year was (i) HKD8.68 (for all grants dated 17 November 2021); (ii) HKD8.11 (for all grants dated 26 May 2022); and (iii) HKD8.20 (for all grants dated 14 July 2022).

3. The vesting is subject to the fulfilment of the relevant vesting conditions (including (i) the achievement of relevant level of net profits of the Group for the relevant year as determined by the Board (applicable to all participants other than the independent non-executive Directors); and (ii) achievement of relevant personal appraisal target (applicable to participants who are not Directors).

4. In April 2022, the first tranche of the Grant Shares (i.e. 100,000 Grant Shares) were vested to Mr. Zhang Xueqian. Following the cessation of Mr. Zhang as an independent non-executive Director on 30 September 2022, 7,500 Grant Shares (being the portion of second tranche of Grant Shares granted to Mr. Zhang in proportion to the number of days of his tenure as an independent non-executive Director in 2022) shall remain valid and be vested in April 2023. On the other hand, the remaining 125,000 Grant Shares (being the remaining portion of the second tranche of Grant Shares and the third tranche of Grant Shares granted to Mr. Zhang) had lapsed.

For the fair value of the Grant Shares granted under the Award Scheme 2020, please refer to note 36 to the financial statements.

Chemical and Environmental Business Unit Equity Incentive Scheme

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

According to Chemical and Environmental Business Unit Equity Incentive Scheme, incentive equity interest will be granted to the participants through the partnership platforms by way of subscribing for new share capital in CIMC Safeway Technologies Co., Ltd. (中集安瑞環科技股份有限公司) ("CIMC Safe Tech"). Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Yu Yuqun, Mr. Zeng Han, Mr. Wang Yu, the Directors of the Company have subscribed for new share capital of CIMC Safe Tech, which represent approximately 0.33%, 2.19%, 0.13%, 0.13% and 0.13% of the share capital of CIMC Safe Tech as at 31 December 2022, respectively. The details are disclosed in the announcement of the Company dated 27 November 2020.

Liquid Food Business Unit Equity Incentive Scheme

The Company adopted Liquid Food Business Unit Equity Incentive Scheme on 8 June 2022, to recognize past and present contributions and to incentivise the future contributions by the participants to the Liquid Food Business Unit. According to Liquid Food Business Unit Equity Incentive Scheme, incentive equity interest will be granted to the participants through the partnership platforms by way of subscribing for new registered capital in CIMC Liquid Process Technologies Co., Ltd. (中集安瑞醇科技股份有限公司) ("CLPT"). Mr. Gao Xiang, Mr. Yang Xiaohu, Mr. Zeng Han, Mr. Wang Yu, the Directors of the Company have subscribed for new registered capital of CLPT under the Liquid Food Business Unit Equity Incentive Scheme, which represent approximately 0.59%, 1.21%, 0.10% and 0.10% of the registered capital of CLPT as at 31 December 2022, respectively. The details are disclosed in the announcement of the Company dated 8 June 2022.

Directors' Interests in Competing Business

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

Permitted Indemnity Provision

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

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

Management Contracts

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

Connected Transactions and Interests in Contracts

Connected transactions and continuing connected transactions subject to annual review

Non-exempt connected transactions

During the year ended 31 December 2022, the Group had the following transactions which constituted non-exempt connected transactions as defined under Chapter 14A of the Listing Rules.

On 24 March 2022, CIMC Enric Investment Holdings (Shenzhen) Ltd.* (中集安瑞科投資控股(深圳)有限公司)("CIMC Enric (Shenzhen)"), a direct wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.* (深圳中集同創供應鏈有限公司) ("Shenzhen CIMC Tongchuang"), pursuant to which CIMC Enric (Shenzhen) agreed to transfer, and Shenzhen CIMC Tongchuang agreed to acquire 10% equity interest in Shenzhen CIMC Huijie Supply Chain Co., Ltd.* (深圳中集匯杰供應鏈有限公司) ("CIMC Huijie") at the consideration of RMB11,168,300. Pursuant to the Equity Transfer Agreement, the profit distribution rights and other shareholder's rights to which CIMC Enric (Shenzhen) is entitled as an original shareholder of CIMC Huijie will be transferred to Shenzhen CIMC Tongchuang from the effective date of the Equity Transfer Agreement (being the date of signing of the Equity Transfer Agreement). As at the date of the Equity Transfer Agreement, CIMC was a controlling Shareholder indirectly holding approximately 67.60% of the Shares at the time and was therefore a connected person of the Company. As Shenzhen CIMC Tongchuang was a non-wholly owned subsidiary of CIMC and was therefore an associate of CIMC, Shenzhen CIMC Tongchuang was also a connected person of the Company. Accordingly, the disposal under the Equity Transfer Agreement (the "Disposal") constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but all of them are less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 24 March 2022.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt connected transactions *(Continued)*

On 8 June 2022, the Board resolved to adopt the implementation details of the share incentive scheme ("Incentive Scheme") of CIMC Liquid Process Technologies Co., Ltd. (中集安瑞醇科技有限公司) ("CLPT", and together with its subsidiaries, the "Liquid Food Business Unit"), to recognize the past and present contributions and to incentivize the future contributions by certain senior management and employees of the Liquid Food Business Unit or the Group (as the case may be) who are eligible to participate in the Incentive Scheme (the "Participants"). Pursuant to the Scheme, the incentive equity interest in CLPT ("Incentive Equity Interest") will be granted to the Participants through the Partnership Platforms (comprising three limited liability partnerships as equity-holding platforms for certain employees) by way of subscribing for new registered capital in CLPT. On 8 June 2022, the Partnership Platforms entered into the Capital Increase Agreement to subscribe for the Incentive Equity Interest (the "Capital Increase"). The total additional capital contribution to CLPT was approximately RMB83 million, which shall be funded by the Limited Partners of the Partnership Platforms through cash contribution to the Partnership Platforms. After completion of the capital increase, the Partnership Platforms will hold approximately 6.33% of the enlarged registered capital of CLPT. As (i) the General Partner of the Partnership Platforms (which is a connected person of the Company) has full control over the business operations and affairs of the Partnership Platforms; and (ii) certain Limited Partners of the Partnership Platforms are connected persons of the Company who hold in aggregate more than 30% of the equity in two of the Partnership Platforms, respectively, according to the Listing Rules, the Partnership Platforms are connected persons of the Company by virtue of being associates of such Limited Partners and the General Partner. Accordingly, the subscription by the Partnership Platforms for the new registered capital of CLPT pursuant to the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase are more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 8 June 2022.

Non-exempt continuing connected transactions

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:

(i) Master Subcontracting Services Agreement (2019)

On 31 December 2019, the Company entered into the Master Subcontracting Services Agreement (2019) with CIMC, under which the CIMC agreed to provide subcontracting services (including but not limited to production design, materials procurement, steel plate cutting, sectional production, general assembly and carrying, dock carrying and outfitting (including underwater engineering), production and installation of pipes and on-site modification of setting out pipes (including surface work of pipes), coating work of vessels, mooring test of the wharf, trial voyage and pre-delivery work, hoisting of pipe rack for liquid tank and liquid cargo systems, etc., and where necessary, cooperating with the Group to install, debug and test the key equipment of vessels (including but not limited to liquified gas containers, liquified gas systems and gas systems) at the dockyard and/or site of the CIMC Group) to the Group for a period of three years commencing on 1 January 2020 and expiring on 31 December 2022.

For each of the three financial years ended 31 December 2022, the proposed estimated annual caps of the transactions contemplated under the Master Subcontracting Services Agreement (2019) shall be no more than RMB200,000,000, RMB280,000,000 and RMB350,000,000 respectively. The proposed annual caps were determined based on estimated number of vessels that require subcontracting services from CIMC Group with reference to the estimated prices taking into account the expected growth in price inflation. The estimated number of vessels that require subcontracting services from CIMC Group are arrived at after considering the contracts that have already been entered into between the Group and its customers, enquiry from potential customers as well as the expected growth of the liquefied gas vessels market.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(i) Master Subcontracting Services Agreement (2019) *(Continued)*

As CIMC is a controlling shareholder of the Company, it is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As a result, the transactions contemplated under the Master Subcontracting Services Agreement (2019) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2022, the actual subcontracting service charge incurred by the Group under the Master Subcontracting Services Agreement (2019) was RMB212,135,000, which did not exceed the annual cap for the year ended 31 December 2022.

The Master Subcontracting Services Agreement (2019) has expired on 31 December 2022.

For further details of the Master Subcontracting Services Agreement (2019), please refer to the announcement of the Company dated 31 December 2019.

(ii) Financial Services Framework Agreement (2019)

On 31 December 2019, the Company entered into the Financial Services Framework Agreement (2019) with CIMC Finance Company Ltd. (中集集團財務有限公司, a wholly-owned subsidiary of CIMC, "CIMC Finance") as service provider and CIMC as guarantor under which CIMC Finance agreed to provide various financial services (including deposit services, loan services, bill discounting services, foreign exchange settlement and purchasing services, issue of commercial note and guarantee services and other financial services) to the Group from 1 January 2020 to 31 December 2022.

For each of the three financial years ended 31 December 2022, the proposed estimated annual caps of the deposit services (being the maximum daily outstanding balance of deposits placed by the Group to CIMC Finance) contemplated under the Financial Services Framework Agreement (2019) shall be no more than RMB419,000,000, respectively. The annual caps have been determined with reference to the Group's historical maximum daily outstanding balance of deposits placed with CIMC Finance, the business forecast of the Group, the estimated cash flow and the estimated level of cash to be deposited with CIMC Finance to facilitate settlement of accounts with members of the Group and the CIMC Group.

On 23 February 2022, to cater for the Group's business development needs, the Group revised the annual caps for the deposit services under the Financial Services Framework Agreement (2019) for the year ended 31 December 2022 to RMB600,000,000. The revised annual cap for the maximum daily outstanding balance of deposits were determined with reference to the Group's historical maximum daily outstanding balance of deposits placed with CIMC Finance, the estimated business growth of the Group for the year ending 31 December 2022, the estimated cash flow and the estimated level of cash to be deposited with CIMC Finance to facilitate settlement of accounts with members of the Group and the CIMC Group.

As CIMC is a controlling shareholder of the Company, it is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As CIMC Finance was a non-wholly owned subsidiary of CIMC and was therefore an associate of CIMC, CIMC Finance was also a connected person of the Company. As a result, the transactions contemplated under the Financial Services Framework Agreement (2019) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(ii) Financial Services Framework Agreement (2019) *(Continued)*

During the year ended 31 December 2022, the maximum daily outstanding balance of the Group's deposits placed with CIMC Finance was RMB599,653,000, the interest income from deposits recognised by the Group was RMB6,070,000 and no service charge was incurred by the Group, and therefore does not exceed the annual cap for deposit services for the year ended 31 December 2022.

With respect to the other transactions contemplated under the Financial Services Framework Agreement (2019) (i.e. other than the deposit services), they are fully exempt continuing connected transactions under the Listing Rules due to being (i) de minimis transactions defined under Chapter 14A of the Listing Rules; or (ii) financial assistance received by the Group which is conducted on normal commercial terms or better and not secured by the assets of the Group.

For further details of the Financial Services Framework Agreement (2019), please refer to the announcements of the Company dated 31 December 2019 and 23 February 2022.

As the Financial Services Framework Agreement (2019) expired on 31 December 2022, the Company entered into the Financial Services Framework Agreement (2022) with CIMC Finance and CIMC for a term of three years to renew the existing continuing connected transactions. Further details are set out in (iii) below.

(iii) Renewal of the Financial Service Framework Agreement

As set out in (ii) above, the Financial Services Framework Agreement (2019) expired on 31 December 2022. In this connection, on 28 November 2022, the Company entered into the Financial Services Framework Agreement (2022) with CIMC Finance as service provider and CIMC as guarantor to renew the relevant existing continuing connected transaction with CIMC Finance for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which CIMC Finance shall continue to provide the relevant financial services (including deposit services, loan services, bill discounting services, foreign exchange settlement and purchasing services, issue of commercial note and guarantee services and other financial services) to the Group from 1 January 2023.

The proposed annual caps for the deposit services ("Deposit Services") contemplated under the Financial Services Framework Agreement (2022) (being the maximum daily outstanding balance of deposits placed by the Group to CIMC Finance), shall be RMB700,000,000 for each of the three years ending 31 December 2025. The said annual caps have been determined with reference to the Group's historical maximum daily outstanding balance of deposits placed with CIMC Finance, the business forecast of the Group, the estimated cash and cash equivalent of the Group, the estimated cash flow and the estimated level of cash to be deposited with CIMC Finance to facilitate settlement of accounts with members of the Group and the CIMC Group.

With respect to the other transactions contemplated under the Financial Services Framework Agreement (2022) (i.e. other than the deposit services), they are fully exempt continuing connected transactions under the Listing Rules due to being (i) de minimis transactions defined under Chapter 14A of the Listing Rules; or (ii) financial assistance received by the Group which is conducted on normal commercial terms or better and not secured by the assets of the Group.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(iii) Renewal of the Financial Service Framework Agreement *(Continued)*

For the connected relationship between the Group and CIMC Finance and CIMC, please refer to the paragraph headed "(ii) Financial Services Framework Agreement (2019)" above.

For further details of the Financial Services Framework Agreement (2022), please refer to the announcements of the Company dated 28 November 2022.

(iv) Master Sales Agreement (2019)

On 31 December 2019, the Company entered into the Master Sales Agreement (2019) with CIMC, under which the Company agreed to sell certain products for storage, transportation and processing in the fields of clean energy, chemical and environmental and liquid food, spare parts and raw materials for production, as well as components for construction projects (the "Relevant Products") to CIMC Group for a period of three years commencing on 1 January 2020 and expiring on 31 December 2022.

For each of the three financial years ended 31 December 2022, the proposed estimated annual caps of the transactions contemplated under the Master Sales Agreement (2019) were no more than RMB310,000,000, RMB340,000,000 and RMB380,000,000 respectively. The proposed annual caps are determined based on the historical transaction amounts under the previous master sales agreement entered into in 2016, the estimated investment in the natural gas equipment to cater for the projected growth in natural gas consumption in China, the expected growth in different business segments of the Group, the expected growth of CIMC Group's business, the projected number of products to be sold to the CIMC Group (both for providing finance leases to the Sales Customers and for CIMC Group's own manufacturing and business operations) and the forecast in market price of the products (including the forecast increase in the selling price due to inflation).

On 4 November 2021, the Company revised the proposed annual caps of the transactions contemplated under the Master Sales Agreement (2019) for the years ended 31 December 2021 and 31 December 2022 to RMB500,000,000 and RMB580,000,000, respectively. The revised annual caps have been determined with reference to: (a) actual sales transactions recorded for the nine-month period ended 30 September 2021; (b) sales orders received up to 30 September 2021 which are expected to be completed by 31 December 2021; (c) estimated sales orders that are expected to be received and completed by 31 December 2021; and (d) estimated growth in demand for the Group's products in 2022.

As CIMC is a controlling shareholder of the Company, it is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As a result, the transactions contemplated under the Master Sales Agreement (2019) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2022, the Group's actual sale to CIMC Group under the Master Sales Agreement (2019) was RMB293,806,000, which did not exceed the relevant annual cap for the year ended 31 December 2022.

For further details of the Master Sales Agreement (2019), please refer to the announcements of the Company dated 31 December 2019.

As the Master Sales Agreement (2019) expired on 31 December 2022, the Company entered into the Master Sales Agreement (2022) with CIMC for a term of three years to renew the existing continuing connected transactions. Further details are set out in (v) below.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(v) Renewal of the Master Sales Agreement

As set out in (iv) above, the Master Sales Agreement (2019) expired on 31 December 2022. In this connection, on 28 November 2022, the Company entered into the Master Sales Agreement (2022) with CIMC to renew the relevant existing continuing connected transaction with CIMC for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the Company shall continue to sell the Relevant Products to CIMC from 1 January 2023.

For each of the three financial years ending 31 December 2025, the proposed estimated annual caps of the transactions contemplated under the Master Sales Agreement (2022) are no more than RMB500,000,000, RMB570,000,000 and RMB670,000,000 respectively. The proposed annual caps were determined based on the historical transaction amounts under the Master Sales Agreement (2019), the estimated investment in the natural gas equipment to cater for the projected growth in natural gas consumption in China, the expected growth in different business segments of the Group, the expected growth of CIMC Group's business, the projected number of products to be sold to the CIMC Group (both for providing finance leases to the relevant customers and for CIMC Group's own manufacturing and business operations) and the forecast in market price of the products (including the forecast increase in the selling price due to inflation).

For the connected relationship between the Group and CIMC, please refer to the paragraph headed "(iv) Master Sales Agreement (2019)" above.

For further details of the Master Sales Agreement (2022), please refer to the announcements of the Company dated 28 November 2022.

(vi) Master Processing Services Agreement (2019)

On 31 December 2019, the Company entered into the Master Processing Services Agreement (2019) with CIMC, under which CIMC greed to provide certain processing services (including but not limited to steel uncoiling, sand blasting and base coat spraying and other related processing services) and other services related to such processing services (including but not limited to site and equipment leasing, testing and training, water and electricity supply, after-sales maintenance and transportation services) (the "Relevant Processing Services") to the Group for a period of three years commencing on 1 January 2020 and expiring on 31 December 2022.

For each of the three financial years ended 31 December 2022, the proposed estimated annual caps of the transactions contemplated under the Master Processing Services Agreement (2019) were no more than RMB27,000,000, RMB31,000,000 and RMB36,000,000 respectively. The proposed annual caps are determined based on the historical transaction amounts under the previous master processing services agreement entered into in 2016, the expected sales volume growth of the Group's products that will require processing services during their production process and the expected growth in market prices due to inflation.

As CIMC is a controlling shareholder of the Company, it is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As a result, the transactions contemplated under the Master Processing Services Agreement (2019) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2022, the actual processing service charge incurred by the Group under the Master Processing Services Agreement (2022) was RMB29,011,000, which did not exceed the relevant annual cap for the year ended 31 December 2022.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(vi) Master Processing Services Agreement (2019) *(Continued)*

For further details of the Master Processing Services Agreement (2019), please refer to the announcements of the Company dated 31 December 2019.

As the Master Processing Services Agreement (2019) expired on 31 December 2022, the Company entered into the Master Processing Services Agreement (2022) with CIMC for a term of three years to renew the existing continuing connected transactions. Further details are set out in (vii) below.

(vii) Renewal of the Master Processing Services Agreement

As set out in (vi) above, the Master Processing Services Agreement (2019) expired on 31 December 2022. In this connection, on 28 November 2022, the Company entered into the Master Processing Services Agreement (2022) with CIMC to renew the relevant existing continuing connected transaction with CIMC for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the CIMC shall continue to provide the Relevant Processing Services to the Group from 1 January 2023.

For each of the three financial years ending 31 December 2025, the proposed estimated annual caps of the transactions contemplated under the Master Processing Services Agreement (2022) shall be no more than RMB38,000,000, RMB41,000,000 and RMB45,000,000 respectively. The proposed annual caps are determined based on the historical transaction amounts under the Master Processing Services Agreement (2019), the expected sales volume growth of the Group's products that will require processing services during their production process and the expected growth in market prices due to inflation.

For the connected relationship between the Group and CIMC, please refer to the paragraph headed "(vi) Master Processing Services Agreement (2019)" above.

For further details of the Master Processing Services Agreement (2022), please refer to the announcements of the Company dated 28 November 2022.

(viii) Master Procurement Agreement (2019)

On 31 December 2019, the Company entered into the Master Procurement Agreement (2019) with CIMC, under which the Company agreed to procure various spare parts, raw materials (including but not limited to vehicle chassis, vehicle platforms, operating system, containers and steel (inclusive of waste and surplus materials)) and/or components for construction projects ("Relevant Spare Parts and/or Raw Materials") from CIMC for a period of three years commencing on 1 January 2020 and expiring on 31 December 2022.

For each of the three financial years ended 31 December 2022, the proposed estimated annual caps of the transactions contemplated under the Master Procurement Agreement (2019) were no more than RMB250,000,000, RMB280,000,000 and RMB330,000,000 respectively. The proposed annual caps are determined based on the historical transaction amounts under the previous master procurement agreement entered into in 2016 and the estimated sale volumes of products that would require spare parts, raw materials and/or components for construction projects supplied by CIMC Group with reference to the estimated growth in market prices due to inflation.

Connected Transactions and Interests in Contracts *(Continued)*

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

Non-exempt continuing connected transactions *(Continued)*

(viii) Master Procurement Agreement (2019) *(Continued)*

On 4 November 2021, the Company revised the proposed annual caps of the transactions contemplated under the Master Procurement Agreement (2019) for the years ended 31 December 2021 and 31 December 2022 to RMB440,000,000 and RMB510,000,000, respectively. The revised annual caps have been determined with reference to: (a) actual procurement transactions recorded for the nine-month period ended 30 September 2021; (b) procurement orders placed with the CIMC Group up to 30 September 2021 which are expected to be completed by 31 December 2021; (c) estimated sales orders that are expected to be received which will require procurement by 31 December 2021; and (d) estimated growth in demand for the Group's products in 2022 that will require procurement of spare parts, raw materials and components for construction projects from the CIMC Group.

As CIMC is a controlling shareholder of the Company, it is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As a result, the transactions contemplated under the Master Procurement Agreement (2019) constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2022, the Group's actual total purchase from CIMC Group under the Master Procurement Agreement (2019) was RMB435,850,000, which did not exceed the relevant annual cap for the year ended 31 December 2022.

For further details of the Master Procurement Agreement (2019), please refer to the announcements of the Company dated 31 December 2019.

As the Master Procurement Agreement (2019) expired on 31 December 2022, the Company entered into the Master Procurement Agreement (2022) with CIMC for a term of three years to renew the existing continuing connected transactions. Further details are set out in (ix) below.

(ix) Renewal of the Master Procurement Agreement

As set out in (viii) above, the Master Procurement Agreement (2019) expired on 31 December 2022. In this connection, on 28 November 2022, the Company entered into the Master Procurement Agreement (2022) with CIMC to renew the relevant existing continuing connected transaction with CIMC for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the Company shall continue to procure the Relevant Spare Parts and/or Raw Materials from CIMC from 1 January 2023.

For each of the three financial years ending 31 December 2025, the proposed estimated annual caps of the transactions contemplated under the Master Procurement Agreement (2022) are no more than RMB590,000,000, RMB640,000,000 and RMB700,000,000 respectively. The proposed annual caps are determined based on the historical transaction amounts under the Master Procurement Agreement (2019) and the estimated sale volumes of products that would require spare parts, raw materials and/or components for construction projects supplied by CIMC Group with reference to the estimated growth in market prices due to inflation.

For the connected relationship between the Group and CIMC, please refer to the paragraph headed "(viii) Master Procurement Agreement (2019)" above.

For further details of the Master Procurement Agreement (2022), please refer to the announcements of the Company dated 28 November 2022.

Connected Transactions and Interests in Contracts *(Continued)*

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

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

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

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

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

d. with respect to the aggregate amount of each of the above continuing connected transactions, nothing has come to the auditor's attention that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note 45 to the financial statements in this report fall within the scope of discloseable connected transaction or continuing connected transaction under the Listing Rules. The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Directors' interests in transactions, arrangement or contracts of significance

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

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

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

Confirmation of Independence

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

Corporate Governance

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

The Company's corporate governance report is set out on pages 44 to 73. 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 2022.

Closure of Register of Members

To ascertain shareholders' entitlements to the 2022 Final Dividend, the register of members of the Company will be closed from Monday, 29 May 2023 to Friday, 2 June 2023 (both days inclusive). In order to qualify for the 2022 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 25 May 2023.

Subject to the approval by shareholders at the AGM to be held on 17 May 2022, the 2022 Final Dividend will be paid in cash on or about 28 June 2023 to shareholders whose names appear on the register of members of the Company on 2 June 2023 (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 Wednesday, 10 May 2023 to Wednesday, 17 May 2023 (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 Tuesday, 9 May 2023.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2022 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 2022 final dividend and dividends in subsequent years to its non-resident enterprise shareholders.

Withholding and Payment of Enterprise Income Tax for Non-resident Enterprises on Distribution of the 2022 Final Dividend *(Continued)*

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 2022 Final Dividend after deducting an enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2022 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 25 May 2023.

With respect to individual investors of Shenzhen-Hong Kong Stock Connect who hold Shares through HKSCC Nominees Limited, Hong Kong Securities Clearing Company Limited will pay the amount of the 2022 Final Dividend net of the 10% enterprise withholding tax to China Securities Depository and Clearing Corporation Limited for dividend distribution in accordance with relevant requirements under Notice Regarding Tax Policies Related to the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly published by the Ministry of Finance of the PRC, State Administration of Taxation of the PRC and China Securities Regulatory Commission.

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

Public Float

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

Purchase, Sale or Redemption of Listed Securities

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

Pre-Emptive Rights

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

Auditor

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

The auditor of the Company has not changed in the past three years.

By order of the Board
Gao Xiang
Chairman

Hong Kong, 23 March 2023

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"), which are set out on pages 112 to 218, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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:

- Expected credit losses ("ECL") assessment of trade receivables
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
ECL assessment of trade receivables	
Refer to Note 2(h)(iv) of accounting policy of impairment of financial assets, Note 3(a) – Accounting estimates and judgements, Note 5(a)(ii) – Impairment of financial assets and Note 25 – Trade and bills receivables to the consolidated financial statements. As at 31 December 2022, the carrying amount of trade receivables amounted to Renminbi ("RMB") 3,108,077,000 (after a provision of RMB264,132,000), representing approximately 14% of the Group's total assets. Loss allowances for trade receivables are determined based on management's assessment on the lifetime ECL of trade receivables. For trade receivables that do not share same risk characteristics with others, management assessed their ECL on the individual basis. For trade receivables that share same risk characteristics with others, management determined the ECL on the grouping basis. The management estimated the ECL to be incurred by considering the historical credit loss rates, past collection information and ageing profiles of trade receivables, with an adjustment to reflect both the current conditions and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (the "forward-looking factors"). We focused on this area due to the significance of the trade receivables balance and the significant judgements and estimates involved in the ECL assessment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over the ECL assessment. Those controls were related to identification of impaired receivables and the quantification and recording of impairment provision. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, and changes due to management bias or fraud. (ii) For accounts receivable assessed on the individual basis, we reviewed the management's basis for assessing ECL such as the customer's business performance and financial capability and past collection information. (iii) For accounts receivable which the ECL is measured based on the groupings of credit risk characteristics, (1) we assessed the appropriateness of the ECL assessment methodology; (2) we verified the accuracy of ageing profiles of receivable balances prepared by management on a sample basis; and (3) we tested the accuracy of the calculations of ECL based on the historical credit loss rates, past collection information, ageing profiles of trade receivables, and forward-looking factors with the involvement of our internal valuation experts. Based on our work performed, we found that management's judgements and estimates used in the ECL assessment of trade receivables were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Note 2(p) of accounting policy of impairment of non-financial assets, Note 3(b) – Accounting estimates and judgements and Note 23 - Goodwill to the consolidated financial statements. As at 31 December 2022, the carrying amount of goodwill of the Group amounted to RMB254,166,000, which arose from acquisitions undertaken in previous years, and was allocated to the Group's cash-generating units ("CGUs"). The accumulated impairment provision of goodwill of the Group amounted to RMB108,224,000 as at 31 December 2022. Management conducted an impairment review by comparing the recoverable amounts of the goodwill, estimated based on fair value less costs of disposal or value-in-use calculations (whichever is the higher), against their respective carrying values. The key assumptions adopted by management in the cash flow forecasts included future revenue growth rates, gross margins and discount rates. We focused on this area due to the fact that significant judgements and estimates were involved in identification of CGUs and assessing the key assumptions of goodwill impairment.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the controls over management's goodwill impairment assessment, including the adoption of key assumptions and the review and approval of impairment provision, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. (ii) We assessed whether the identification of CGUs and allocation of goodwill for impairment assessment aligned with our understanding of the Group's business activities. (iii) We compared the historical actual results to prior year budgets and forecasts to assess whether there are management bias in the process. (iv) 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. (v) We evaluated the appropriateness of the discount rates adopted by management by involving our internal valuation experts. (vi) We tested the mathematical accuracy of the calculations of the recoverable amounts of these CGUs. (vii) We evaluated management's sensitivity analysis on the key assumptions, and assessed the corresponding impact on the impairment assessment results. Based on our work performed, we found that management's key assumptions on goodwill impairment assessment were supported by the available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yao Wenping.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**19,601,761**	18,424,763
Cost of sales		**(16,200,321)**	(15,718,761)
Gross profit		**3,401,440**	2,706,002
Other operating income	7(a)	**262,725**	230,600
Other gains, net	7(b)	**41,463**	150,501
Net impairment losses on financial and contract assets	8(d)	**(58,754)**	(76,260)
Selling expenses		**(351,029)**	(369,984)
Administrative expenses		**(1,823,557)**	(1,428,300)
Profit from operations		**1,472,288**	1,212,559
Finance costs	8(a)	**(80,470)**	(70,425)
Share of net post-tax profit/(loss) of associates and joint ventures	21	**6,484**	(2,577)
Profit before taxation	8	**1,398,302**	1,139,557
Income tax expenses	9	**(313,364)**	(231,165)
Profit for the year		**1,084,938**	908,392
Attributable to:			
Equity shareholders of the Company		**1,055,062**	883,581
Non-controlling interests		**29,876**	24,811
Profit for the year		**1,084,938**	908,392
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
– Basic earnings per share	13	**RMB0.528**	RMB0.447
– Diluted earnings per share	13	**RMB0.468**	RMB0.428

The notes on pages 120 to 218 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	 2021 RMB'000
Profit for the year		**1,084,938**	908,392
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(88,529)**	20,503
Share of other comprehensive income/(loss) of an associate	21	**57**	(16)
Other comprehensive (loss)/income for the year, net of tax		**(88,472)**	20,487
Total comprehensive income for the year		**996,466**	928,879
Attributable to:			
Equity shareholders of the Company		**972,510**	904,068
Non-controlling interests		**23,956**	24,811
Total comprehensive income for the year		**996,466**	928,879

The notes on pages 120 to 218 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**3,738,485**	3,219,966
Construction in progress	16	**327,324**	775,858
Right-of-use assets	17	**140,139**	97,144
Investment properties	18	**38,906**	46,789
Lease prepayments	19	**561,331**	580,997
Intangible assets	20	**138,935**	138,036
Goodwill	23	**254,166**	256,671
Deferred tax assets	37(b)	**140,086**	115,918
Interests in associates and joint ventures	21	**219,716**	210,099
Financial instruments at fair value through profit or loss	29	**249**	–
Total non-current assets		**5,559,337**	5,441,478
Current assets			
Inventories	24	**4,636,367**	4,312,353
Contract assets	14(d)	**1,101,611**	1,251,403
Trade and bills receivables	25	**3,470,415**	2,949,229
Deposits, other receivables and prepayments	26	**1,644,343**	1,212,740
Amounts due from related parties	45(c)	**157,009**	194,098
Financial instruments at fair value through profit or loss	29	**39,541**	52,892
Restricted bank deposits	27	**382,398**	437,129
Cash and cash equivalents	28	**5,223,453**	3,173,351
Total current assets		**16,655,137**	13,583,195
Total assets		**22,214,474**	19,024,673
LIABILITIES			
Non-current liabilities			
Bank loans	30	**76,925**	143,640
Convertible bonds	35	**1,388,644**	1,234,980
Warranty provision	33	**96,487**	117,646
Deferred tax liabilities	37(b)	**119,125**	96,058
Deferred income	38	**300,567**	280,208
Employee benefit liabilities	39	**12,583**	4,355
Loans from related parties	45(d)	**31,812**	56,125
Lease liabilities	17	**116,251**	80,715
Financial instruments at fair value through profit or loss	29	**8,837**	–
Total non-current liabilities		**2,151,231**	2,013,727

	Notes	2022 RMB'000	2021 RMB'000
		As at 31 December	
Current liabilities			
Bank loans	30	**367,774**	106,595
Lease liabilities	17	**32,667**	23,099
Loans from related parties	45(d)	**135,715**	301,022
Other borrowings	34	**–**	5,080
Trade and bills payables	31	**3,492,365**	3,302,768
Contract liabilities	14(d)	**3,816,213**	2,418,878
Other payables and accrued expenses	32	**2,010,982**	1,837,955
Amounts due to related parties	45(c)	**392,156**	267,238
Warranty provision	33	**50,878**	54,476
Financial instruments at fair value through profit or loss	29	**92,976**	–
Income tax payable	37(a)	**144,010**	194,158
Total current liabilities		**10,535,736**	8,511,269
Total liabilities		**12,686,967**	10,524,996
Net assets		**9,527,507**	8,499,677
EQUITY			
Share capital	40(a)	**18,521**	18,516
Reserves	40(b)	**9,123,246**	8,224,900
Equity attributable to equity shareholders of the Company		**9,141,767**	8,243,416
Non-controlling interests		**385,740**	256,261
TOTAL EQUITY		**9,527,507**	8,499,677

The notes on pages 120 to 218 form an integral part of these consolidated financial statements.

The financial statements on pages 112 to 218 were approved by the Board of Directors on 23 March 2023 and were signed on its behalf.

Gao Xiang
Director

Yang Xiaohu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company												
	Share capital RMB'000 40(a)	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(v)	General reserve fund RMB'000 40(b)(vi)	Retained earnings RMB'000	Convertible bonds reserve RMB'000 40(b)(iv)	Other reserve RMB'000 40(b)(vii)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	18,516	573,651	(125,124)	1,124,571	1,206,131	(384,756)	497,913	5,203,886	123,944	4,684	8,243,416	256,261	8,499,677
Profit for the year	–	–	–	–	–	–	–	1,055,062	–	–	1,055,062	29,876	1,084,938
Other comprehensive income													
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	57	–	–	57	–	57
– Exchange differences on translation of foreign operations	–	–	–	–	–	(82,609)	–	–	–	–	(82,609)	(5,920)	(88,529)
Total comprehensive income for the period	–	–	–	–	–	(82,609)	–	1,055,119	–	–	972,510	23,956	996,466
Issuance of shares in connection with exercise of share options (note 36(a))	5	7,574	–	–	(2,215)	–	–	–	–	–	5,364	–	5,364
Shares held for share award scheme – vesting of awarded shares	–	39,355	36,765	–	(38,397)	–	–	–	–	–	37,723	–	37,723
Effect of conversion of a subsidiary from a limit liability company into a joint stock company (note 40(b)(iii)(c))	–	–	–	–	189,935	–	(22,937)	(166,998)	–	–	–	–	–
Lapse of share options (note 36(a))	–	–	–	–	(3,844)	–	–	3,844	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(7,956)	(7,956)
Capital contribution from non-controlling interests (note 46)	–	–	–	–	136,210	–	–	–	–	–	136,210	146,030	282,240
Equity-settled share-based transactions (note 36(c))	–	–	–	–	66,897	–	–	–	–	–	66,897	–	66,897
Transfer to general reserve	–	–	–	–	–	–	164,510	(164,510)	–	–	-	-	-
2021 final dividends paid	–	–	–	–	–	–	–	(364,258)	–	–	(364,258)	-	(364,258)
Dividends distribution made by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(32,663)	(32,663)
Special reserve – safe production fund (note 40(b)(vii))	–	–	–	–	–	–	–	-	–	5,605	5,605	–	5,605
Equity-settled share-based transactions of subsidiaries (note 36(d))	–	–	–	–	38,300	–	–	–	–	–	38,300	112	38,412
Total contributions by and distributions to owners of the company, recognised directly in equity	5	46,929	36,765	–	386,886	–	141,573	(691,922)	–	5,605	(74,159)	105,523	31,364
At 31 December 2022	18,521	620,580	(88,359)	1,124,571	1,593,017	(467,365)	639,486	5,567,083	123,944	10,289	9,141,767	385,740	9,527,507

The notes on pages 120 to 218 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Operating activities			
Profit before taxation		**1,398,302**	1,139,557
Adjustments for:			
Depreciation and amortisation		**350,640**	322,791
Depreciation for right-of-use assets	17	**36,400**	24,171
Net impairment losses on financial and contract assets	8(d)	**58,754**	76,260
Impairment of goodwill and intangible assets	20	**–**	28,000
Impairment losses on construction in progress	16	**42,122**	–
Impairment of investments in associates	21	**11,564**	948
Impairment of inventories and prepayments		**31,698**	14,059
Equity-settled share-based payment expenses	8(b)	**105,309**	37,106
Share of (profits)/losses of associates and joint ventures	21	**(6,484)**	2,577
Write-back of restructuring liabilities, payables and advances from customers	7(b)	**(29,799)**	(46,009)
Change in fair value of financial instruments at fair value through profit or loss	7(b)	**209,211**	(94,779)
Amortisation of deferred income	38	**(23,637)**	(13,561)
Interest income	7(a)	**(24,430)**	(27,688)
Interest charges	8(a)	**73,604**	58,353
Net (gain)/loss on disposal of property, plant and equipment, lease prepayment	7(b)	**(6,993)**	4,072
Provision for special reserve - safe production fund		**5,605**	3,165
Gain on disposal of investments in an associate	7(b)	**(747)**	(10,174)
Net gain on disposal of subsidiaries	7(b)	**(135)**	–
Foreign exchange (gains)/losses	7(b)	**(213,153)**	14,710
Operating profit before changes in working capital		**2,017,831**	1,533,558
Increase in inventories		**(355,712)**	(399,732)
Increase in trade receivable and bills receivables		**(558,002)**	(576,528)
Decrease/(increase) in contract assets		**135,295**	(269,747)
Increase in deposit, other receivables and prepayments		**(227,081)**	(338,952)
Decrease/(increase) in amounts due from related parties		**27,089**	(87,422)
Increase in trade and bills payables		**189,597**	840,079
Increase in other payables and accrued expenses		**116,860**	41,866
Increase/(decrease) in contract liabilities		**1,397,335**	(23,392)
Increase in amounts due to related parties		**124,918**	120,706
Increase/(decrease) in employee benefit liabilities		**8,228**	(58)
Increase in deferred income	38	**43,996**	11,751
Decrease in warranty provisions		**(24,757)**	(13,392)
Decrease/(increase) in restricted bank deposits	27	**54,731**	(127,631)
Cash generated from operations		**2,950,328**	711,106
Income tax paid	37(a)	**(389,319)**	(276,455)
Net cash from operating activities		**2,561,009**	434,651

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment and construction in progress		**(448,425)**	(685,975)
Payment for lease prepayments	19	**–**	(62,508)
Payment for acquisition of intangible assets	20	**(10,973)**	(11,017)
Proceeds from disposal of property, plant and equipment, lease prepayment		**55,905**	6,007
Interest received	7(a)	**24,430**	27,688
Acquisition of subsidiaries, net of cash acquired		**–**	(47,972)
Payment for investment in associates	21	**(42,324)**	(33,547)
Dividends from associates	21	**1,042**	5,040
Net cash received from disposal of a subsidiary		**928**	–
Proceeds from disposal of investment in an associate		**19,768**	117,412
Cash (paid for)/ received from settlement of derivative financial instruments		**(94,297)**	75,830
Proceeds from disposal of wealth management products		**–**	61,430
Repayment of loans to a related party		**10,000**	–
Loans to a related party		**–**	(10,000)
Net cash used in investing activities		**(483,946)**	(557,612)
Financing activities			
Proceeds from drawdown of bank loans	42	**580,055**	1,698,990
Repayment of bank loans	42	**(406,522)**	(1,740,414)
Proceeds from issuance of convertible bond	42	**–**	1,356,104
Interest paid		**(32,282)**	(50,390)
Repayment of other borrowings		**(5,080)**	(44,700)
Capital contribution from non-controlling interests		**265,418**	32,099
Purchase of shares for share award scheme	36(c)	**–**	(9,670)
Proceeds from shares issued under share option scheme	36(a)	**5,364**	38,780
Proceeds from disposal of unvested shares under share award scheme	36(b)	**–**	102,782
Proceeds from subscription to the restricted share award scheme	36(c)	**37,723**	–
Proceeds from subscription to subsidiaries' employee share ownership scheme	36(e)	**82,934**	–
Loans from related parties	45	**131,900**	1,283,463
Repayment of loans from related parties	45	**(321,520)**	(1,593,822)
Payment of lease liabilities	42	**(40,653)**	(22,573)
Dividends paid to the Company's shareholders		**(364,258)**	(235,891)
Dividends paid to non-controlling interests		**(10,163)**	(2,428)
Repayment of subscription money on unvested restricted shares		**–**	(58,641)
Net cash (used in)/generated from financing activities		**(77,084)**	753,689
Net increase in cash and cash equivalents		**1,999,979**	630,728
Cash and cash equivalents at 1 January		**3,173,351**	2,560,890
Effect of foreign exchange rate changes		**50,123**	(18,267)
Cash and cash equivalents at 31 December	28	**5,223,453**	3,173,351

The notes on pages 120 to 218 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 March 2023.

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

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

2 Significant accounting policies *(Continued)*

(b) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to HKFRS 3, Update reference to the conceptual framework
- Amendments to HKAS 16, Proceeds before intended use
- Amendments to HKAS 37, Onerous contracts – cost of fulfilling a contract
- Amendments to Accounting Guideline 5, Merger accounting for common control combinations
- Annual improvements to HKFRS standards 2018–2020 cycle

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

(c) New standards and amendments not yet adopted

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9 and HKFRS 4	1 January 2023
HK Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance contract	1 January 2023
Amendments to HKFRS 16	Leases on sale and lease back	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Significant accounting policies *(Continued)*

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

(iv) Equity method

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

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

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

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

2 Significant accounting policies *(Continued)*

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

(v) Changes in ownership interests

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

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

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

(e) Business combinations

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

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

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

2 Significant accounting policies *(Continued)*

(e) Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

(f) Separate financial statements

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

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

(g) Foreign currency translation

(i) Functional and presentation currency

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

2 Significant accounting policies *(Continued)*

(g) Foreign currency translation *(Continued)*

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(g) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

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

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

(h) Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through 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)*

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

(iii) Measurement

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

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

Debt instruments

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

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

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

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

Equity instruments

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

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

2 Significant accounting policies *(Continued)*

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

(iv) Impairment

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

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

(i) Offsetting financial instruments

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

(j) Financial guarantee contracts

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

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

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

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

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

(k) Derivative financial instruments

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

2 Significant accounting policies *(Continued)*

(l) Property, plant and equipment

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

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

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

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

Buildings	10 to 40 years
Leasehold improvements	2 to 5 years
Pipelines	25 to 30 years
Machinery	3 to 20 years
Motor vehicles	3 to 6 years
Office equipment	3 to 10 years

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

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

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

No depreciation is provided for construction in progress.

(m) Investment properties

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

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

2 Significant accounting policies *(Continued)*

(n) Intangible assets

(i) Goodwill

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

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

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

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

(ii) Other intangible assets

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

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

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

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

Both the period and method of amortisation are reviewed annually.

2 Significant accounting policies *(Continued)*

(o) Lease

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security

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

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

(i) Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

2 Significant accounting policies *(Continued)*

(o) Lease *(Continued)*

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases of the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

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

(p) Impairment of non-financial assets

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

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

2 Significant accounting policies *(Continued)*

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(q) Inventories

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

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

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

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

2 Significant accounting policies *(Continued)*

(r) Project engineering contracts

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

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

(s) Trade receivables

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

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

(t) Borrowing

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

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

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

2 Significant accounting policies *(Continued)*

(u) Preference share capital

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

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

(v) Trade and other payables

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

(w) Cash and cash equivalents

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

(x) Employee benefits

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

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

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

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

2 Significant accounting policies *(Continued)*

(x) Employee benefits *(Continued)*

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

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

(ii) Share-based payments

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

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

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

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

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

2 Significant accounting policies *(Continued)*

(x) Employee benefits *(Continued)*

(iii) Jubilee benefits

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

(y) Current and deferred 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.

2 Significant accounting policies *(Continued)*

(y) Current and deferred income tax *(Continued)*

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

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

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

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

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

  - the same taxable entity; or

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

(z) Provisions and contingent liabilities

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

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

2 Significant accounting policies *(Continued)*

(aa) Convertible bond

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

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

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

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

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

(ab) Revenue recognition

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

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 Significant accounting policies *(Continued)*

(ab) Revenue recognition *(Continued)*

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

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

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

When the Group recognises the revenue according to the progress of the completed services, the Group recognises the part that has obtained the unconditional right to collect consideration as accounts receivables, and the rest as contract assets, and impairment based on expected credit losses is recognised for subsequent measurement as well. If the contract price received or receivable by the Group exceeds the consideration of completed services, the excess is recognised as a contract liability. The Group's contract assets and contract liabilities under the same contract are presented on a net basis.

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

(ac) Interest income

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

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

(ad) Government grants

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

2 Significant accounting policies *(Continued)*

(ae) Dividend distribution

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

(af) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

(ii) Diluted earnings per share

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

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

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

(ag) Borrowing costs

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

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

(ah) Related parties

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

- has control or joint control of the Group;

- has significant influence over the Group; or

- is a member of the key management personnel of the Group or the Group's parent.

2 Significant accounting policies *(Continued)*

(ah) Related parties *(Continued)*

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

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

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

(ai) Segment reporting

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

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

3 Accounting estimates and judgements

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

(a) Impairment of financial assets

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

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

(b) Impairment of non-financial assets

In considering the impairment losses that may be required for certain of the Group's assets which include goodwill, the recoverable amount of the asset needs to be determined. The recoverable amount is the higher 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, discount rates 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, discount rates and amount of operating costs.

(c) Completion percentage of input method

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

3 Accounting estimates and judgements *(Continued)*

(d) Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

4 Fair value measurement of financial instruments

(a) Fair value hierarchy

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

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

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

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

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

(a) Fair value hierarchy *(Continued)*

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2022 and 31 December 2021 on a recurring basis:

	At 31 December 2022		At 31 December 2021	
	Level 2 RMB'000	Level 3 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets				
– FVPL – foreign currency forwards	**24,162**	**–**	52,488	–
– FVPL – contingent considerations	**–**	**15,628**	–	404
– FVOCI – bills receivables	**–**	**220,474**	–	104,475
Financial liability				
– FVPL – foreign currency forwards	**101,813**	**–**	–	–

As at 31 December 2022, the Group's financial instruments measured at fair value through other comprehensive income were bills receivables which were classified as level 3. These instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques. The following table presents the changes of the Group's financial assets of level 3 within the fair value hierarchy for the year ended 31 December 2022 and 2021:

	Bills receivables RMB'000	Contingent considerations RMB'000	Total RMB'000
At 1 January 2021	376,810	–	376,810
Additions	3,108,214	–	3,108,214
Disposals	(3,380,549)	–	(3,380,549)
Fair value change recognised in profit or loss	–	404	404
At 31 December 2021	104,475	404	104,879
At 1 January 2022	**104,475**	**404**	**104,879**
Additions	**2,059,376**	**–**	**2,059,376**
Disposals	**(1,943,377)**	**–**	**(1,943,377)**
Fair value change recognised in profit or loss	**–**	**15,224**	**15,224**
At 31 December 2022	**220,474**	**15,628**	**236,102**

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 2022.

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 financial instruments determined using forward exchange rates at the balance sheet day and quoted redemption prices from the banks issued the products respectively.

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

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

(c) Valuation processes of the Group

A team in the finance department of the Group performs the valuations of financial instruments required for financial reporting purposes. This team reports directly to the Financial Controller. Discussions of valuation processes and results are held between the Financial Controller and the valuation team at least twice a year.

(d) Fair value of other financial instruments

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

5 Financial risk management

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

(a) Credit risk

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

(i) Risk management

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

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

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Impairment of financial assets

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

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

(ii-1) Cash and bank balances

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

(ii-2) Bills receivables

The Group's bills receivables are bank acceptance notes and trade acceptance notes issued by banks and large corporates with good reputation, and the Group has assessed that the expected credit losses are not significant in 2022.

(ii-3) Trade receivables and contract assets

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

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

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

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

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

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

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

As at 31 December 2022 and 2021, the cost and the loss allowance of trade receivables and contract assets in these categories are as follows:

	31 December 2022		31 December 2021	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Group 1				
– Trade receivables	**75,993**	**(75,537)**	110,635	(105,159)
– Contract assets	**138,302**	**(57,623)**	171,198	(68,818)
Group 2				
– Trade receivables	**3,296,216**	**(188,595)**	2,722,479	(189,937)
– Contract assets	**1,042,334**	**(21,402)**	1,154,357	(5,334)
Total	**4,552,845**	**(343,157)**	4,158,669	(369,248)

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

For other trade receivables and contract assets the expected loss rates are assessed based on the payment profiles of sales over a period of 36 months before 31 December 2022 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.

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

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

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

The loss allowance of Group 2 as at 31 December 2022 and 31 December 2021 was determined as follows for both trade receivables and contract assets:

31 December 2022	Current RMB'000	Less than 3 months past due RMB'000	More than 3 months but less than 12 months past due RMB'000	More than 1 year but less than 2 years past due RMB'000	More than 2 years but less than 3 years past due RMB'000	More than 3 years but less than 5 years past due RMB'000	More than 5 years past due RMB'000	Total RMB'000
Expected loss rate	2.08%	5.53%	8.77%	30.04%	46.18%	81.63%	100.00%	4.84%
Gross carrying amount – trade receivables	2,474,072	442,067	201,286	67,118	63,522	15,164	32,987	3,296,216
Gross carrying amount – contract assets	1,042,334	–	–	–	–	–	–	1,042,334
Loss allowance	73,051	24,433	17,652	20,159	29,337	12,378	32,987	209,997

31 December 2021	Current RMB'000	Less than 3 months past due RMB'000	More than 3 months but less than 12 months past due RMB'000	More than 1 year but less than 2 years past due RMB'000	More than 2 years but less than 3 years past due RMB'000	More than 3 years but less than 5 years past due RMB'000	More than 5 years past due RMB'000	Total RMB'000
Expected loss rate	1.35%	3.24%	6.66%	29.58%	45.01%	80.34%	100.00%	5.04%
Gross carrying amount – trade receivables	2,068,151	249,410	144,578	123,191	57,418	40,323	39,408	2,722,479
Gross carrying amount – contract assets	1,154,357	–	–	–	–	–	–	1,154,357
Loss allowance	43,484	8,074	9,630	36,439	25,841	32,395	39,408	195,271

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

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

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

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

	Trade receivables RMB'000	Contract assets RMB'000
Opening loss allowance as at 1 January 2021	328,561	54,062
Increase in loss allowance recognised in profit or loss during the year	91,316	20,090
Reversal of impairment provision	(74,870)	–
Written off during the year as uncollectible	(49,543)	–
Exchange differences	(368)	–
Closing loss allowance as at 31 December 2021	295,096	74,152
Increase in loss allowance recognised in profit or loss during the year	**98,854**	**16,529**
Reversal of impairment provision	**(62,038)**	**(2,032)**
Written off during the year as uncollectible	**(68,029)**	**(10,518)**
Exchange differences	**249**	**894**
Closing loss allowance as at 31 December 2022	**264,132**	**79,025**

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

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

5 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

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

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

As at 31 December 2022, the Group has assessed that other receivables due from related and third parties are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for other receivables due from third parties where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Moreover, other receivables from related parties are considered to be low credit risk considering the good financial position and credit history of the related parties.

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

	Other receivables due from third parties RMB'000	Other receivables due from related parties RMB'000
Opening loss allowance as at 1 January 2021	9,338	5,491
Increase in the allowance recognised in profit or loss during the year (i)	88	39,636
Receivables written off during the year as uncollectible	(1,022)	–
Closing loss allowance as at 31 December 2021	8,404	45,127
Increase in the allowance recognised in profit or loss during the year	**12,417**	**–**
Reversal of impairment provision	**(4,976)**	**–**
Receivables written off during the year as uncollectible	**(1,928)**	**–**
Closing loss allowance as at 31 December 2022	**13,917**	**45,127**

(i) A non-wholly owned subsidiary of the Group provided guarantee and pledged certain of its assets as collaterals to its non-controlling shareholder in respect of that non-controlling shareholder's bank borrowings of RMB20,000,000. In 2021, the non-controlling shareholder was in default for the bank borrowings and the Group was enforced to honour the guarantee to repay the bank borrowings of RMB20,000,000. The aggregate amount of total receivable due from that non-controlling shareholder was RMB60,549,000 as at 31 December 2021. After taking into account of share counter guaranteed by the non-controlling shareholder, which was valued at RMB20,913,000 and could be realised by the Group, the Directors of the Company had assessed the net risk exposure and made a provision of RMB39,636,000 against the outstanding amount as at 31 December 2021. As at 31 December 2022, based on the assessment on the risk exposure conducted by the Directors of the Company, no additional provision was required.

5 Financial risk management *(Continued)*

(b) Liquidity risk

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

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

	2022 Contractual undiscounted cash flow					2021 Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	5 to 10 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	378,149	89,247	–	467,396	444,699	111,971	152,918	–	264,889	250,235
Trade and bills payables	3,492,365	–	–	3,492,365	3,492,365	3,302,768	–	–	3,302,768	3,302,768
Other payables excluding payroll, tax payable, other surcharges payable and accrued expenses	590,598	–	–	590,598	590,598	619,520	–	–	619,520	619,520
Other borrowings	–	–	–	–	–	5,213	–	–	5,213	5,080
Loans from related parties and amounts due to related parties	531,905	32,487	–	564,392	559,683	570,370	59,686	–	630,056	624,385
Lease liabilities	36,712	124,926	–	161,638	148,918	24,231	84,670	–	108,901	103,814
Convertible bond	–	1,556,922	–	1,556,922	1,388,644	–	1,425,901	–	1,425,901	1,234,980
Financial instruments at fair value through profit or loss	92,976	8,837	–	101,813	101,813	–	–	–	–	–
	5,122,705	1,812,419	–	6,935,124	6,726,720	4,634,073	1,723,175	–	6,357,248	6,140,782

5 Financial risk management *(Continued)*

(c) Interest rate risk

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

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

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

(i) Interest rate profile

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

	2022		2021	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Bank deposits				
– Floating rate	**0.62%**	**5,554,967**	0.69%	3,168,806
– Fixed rate	**2.04%**	**49,501**	–	–
Bank loans				
– Floating rate	**3.73%**	**(361,774)**	2.06%	(149,640)
– Fixed rate	**4.08%**	**(82,925)**	0.45%	(100,595)
Loans from related parties				
– Fixed rate	**2.59%**	**(167,527)**	1.59%	(357,147)
Convertible bonds				
– Fixed rate	**2.93%**	**(1,388,644)**	2.93%	(1,234,980)

5 Financial risk management *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2022, 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 RMB19,474,000 (31 December 2021: RMB11,322,000). 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.

(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 ("USD") and ("EUR"). The Group manages this risk as follows:

(i) Forecast transactions

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

(ii) Recognised assets and liabilities

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

The Group's borrowings are denominated in RMB and HKD. The period of these borrowings are generally within 12 months. The Group considered the foreign currency risk arising from these short term borrowings is insignificant.

5 Financial risk management *(Continued)*

(d) Currency risk *(Continued)*

(iii) Exposure to currency risk

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

	Exposure to foreign currencies 2022			
	USD RMB'000	HKD RMB'000	EUR RMB'000	GBP RMB'000
Trade and bills receivables	**907,087**	**–**	**47,650**	**–**
Deposits and other receivables	**11,305**	**–**	**9,410**	**430**
Cash and cash equivalents	**571,826**	**48,453**	**142,909**	**41,817**
Restricted cash	**24,417**	**–**	**–**	**–**
Trade and bills payables	**(3,416)**	**–**	**(17,384)**	**(48,201)**
Other payables and accrued expenses	**(57,325)**	**(45)**	**(1,045)**	**(4,398)**
FVPL – foreign currency forwards	**(74,853)**	**–**	**(2,798)**	**–**
Overall net exposure	**1,379,041**	**48,408**	**178,742**	**(10,352)**

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

5 Financial risk management *(Continued)*

(d) Currency risk *(Continued)*

(iv) Sensitivity analysis

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

	2022		2021	
	Increase/ (decrease) in foreign exchange %	**Increase/ (decrease) profit after tax and retained earnings RMB'000**	Increase/ (decrease) in foreign exchange %	Increase/ (decrease) profit after tax and retained earnings RMB'000
USD	**5%**	**(67,582)**	5%	(55,027)
	-5%	**67,582**	-5%	55,027
HKD	**5%**	**1,815**	5%	5,862
	-5%	**(1,815)**	-5%	(5,862)
EUR	**5%**	**892**	5%	3,386
	-5%	**(892)**	-5%	(3,386)
GBP	**5%**	**(895)**	5%	517
	-5%	**895**	-5%	(517)

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 2022.

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:

	2022 RMB'000	2021 RMB'000
Sales of goods	**12,832,262**	11,870,349
Revenue from project engineering contracts	**6,769,499**	6,554,414
	19,601,761	18,424,763

7 Other operating income and other gains, net

		2022 RMB'000	2021 RMB'000
(a) Other operating income			
Government grants	(i)	**100,470**	59,221
Other operating revenue	(ii)	**137,825**	143,691
Interest income from bank deposits		**24,430**	27,688
		262,725	230,600

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

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

7 Other operating income and other gains, net *(Continued)*

	2022 RMB'000	2021 RMB'000
(b) Other gains, net		
Foreign exchange gain/(loss)	**213,153**	(13,820)
Net fair value (loss)/gain on financial instruments at fair value through profit or loss	**(209,211)**	94,779
Write-back of restructuring liabilities (i)	**26,303**	32,141
Write-back of payables and advances from customers (ii)	**3,496**	13,868
Net gain/(loss) on disposal of property, plant and equipment and lease prepayment	**6,993**	(4,072)
Compensation received	**4,720**	16,181
Gain on disposal of investment in an associate	**747**	10,174
Gain on disposal of investment in subsidiaries	**135**	–
Donation expenses	**(493)**	(485)
Other net (loss)/gain	**(4,380)**	1,735
	41,463	150,501

(i) During the year, the Group wrote back restructuring liabilities of RMB26,303,000 in relation to the bankruptcy restructuring of a subsidiary (prior to its acquisition by the Group) since the Group was no longer obliged to settle those amounts (2021: RMB32,141,000).

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

8 Profit before taxation

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

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on bank loans, loans from related parties and other borrowings	**35,656**	53,723
Interest on lease liabilities	**3,606**	4,482
Interest on convertible bonds	**37,716**	3,348
Less: interest capitalised	**(3,374)**	(3,200)
Bank charges	**6,866**	12,072
	80,470	70,425

8 Profit before taxation *(Continued)*

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and allowances	**1,822,739**	1,739,794
Contributions to retirement schemes (note 39)	**123,218**	68,666
Equity-settled share-based payment expenses	**105,309**	37,106
	2,051,266	1,845,566

(c) Other items

	2022 RMB'000	2021 RMB'000
Cost of inventories (note 24)	**10,931,814**	11,129,768
Cost from project engineering contracts (note 24)	**5,268,507**	4,588,993
Auditor's remuneration		
– Audit services	**12,400**	7,993
– Non-audit services	**4,285**	5,106
Depreciation of property, plant and equipment (note 15)	**306,488**	271,995
Depreciation of right-of-use assets (note 17)	**36,400**	24,171
Amortisation of lease prepayments (note 19)	**15,981**	15,117
Amortisation of intangible assets (note 20)	**26,850**	34,424
Impairment of intangible assets (note 20)	**–**	28,000
Impairment losses on construction in progress (note 16)	**42,122**	–
Write-down of inventories (note 24)	**36,574**	18,047
Reversal of write-down of inventories (note 24)	**(4,876)**	(5,541)
Research and development costs	**557,968**	524,570
Operating lease charges for property rental (note 17)	**11,699**	8,875
Provision for product warranties (note 33)	**104,699**	90,510
Reversal of provision for product warranties (note 33)	**(90,175)**	(52,963)

(d) Net impairment losses on financial and contract assets

	2022 RMB'000	2021 RMB'000
Impairment provision for trade receivables	**98,854**	91,316
Reversal of impairment provision for trade receivables	**(62,038)**	(74,870)
Impairment provision for contract assets	**16,529**	20,090
Reversal of impairment provision for contract assets	**(2,032)**	–
Impairment provision for other receivables	**12,417**	39,724
Reversal of impairment provision for other receivables	**(4,976)**	–
	58,754	76,260

9 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the year	**334,471**	331,136
Adjustments for current income tax of prior years	**(17,331)**	(4,225)
	317,140	326,911
Deferred tax		
Origination and reversal of temporary differences	**(3,776)**	(95,746)
	313,364	231,165

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

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

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

(iv) Taxation of subsidiaries in the Netherlands, Belgium, Denmark, Germany, United Kingdom, Canada, United States and Singapore are charged at the prevailing rates of 25%, 25%, 22%, 30%, 19%, 31%, 21% and 17% respectively in the relevant countries and are calculated on a stand-alone basis.

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

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**1,398,302**	1,139,557
Notional tax on profit before taxation, calculated at the applicable rates	**382,593**	318,117
Effect of tax concessions (a(ii))	**(129,156)**	(74,629)
Super deduction for research and development expenditure	**(42,946)**	(45,904)
Tax effect of non-deductible expenses	**34,202**	16,335
Tax effect of tax losses not recognised as deferred tax assets	**52,816**	25,657
Tax effect of temporary differences not recognised as deferred tax assets	**37,852**	–
Adjustments for current income tax of prior years	**(17,331)**	(4,225)
Utilisation of tax losses which no deferred tax assets were recognised before	**(4,666)**	(4,186)
Income tax expenses	**313,364**	231,165

10 Directors' remuneration

Details of Directors' remuneration for the year ended 31 December 2022 are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000	Share Incentive Scheme
Executive Director:						
Yang Xiaohu	–	1,168	39	2,095	3,302	Notes 1, 2 & 3
Non-executive Directors:						
Gao Xiang	155	–	–	–	155	Notes 1, 2 & 3
Yu Yuqun	155	–	–	–	155	Notes 1 & 2
Zeng Han	155	–	–	–	155	Notes 1, 2 & 3
Wang Yu	155	–	–	–	155	Notes 1, 2 & 3
Independent Non-Executive Directors:						
Zhang Xueqian (i)	206	–	–	–	206	Note 1
Tsui Kei Pang	275	–	–	–	275	Note 1
Wang Caiyong	275	–	–	–	275	Note 1
Yien Yu Yu, Catherine	275	–	–	–	275	Note 1
Yang Lei (ii)	69	–	–	–	69	
	1,720	1,168	39	2,095	5,022	

10 Directors' remuneration *(Continued)*

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

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

Note 1: As at 31 December 2022, Mr. Yang Xiaohu (an Executive Director of the Company), had been granted 1,200,000 restricted shares under the Share Award Scheme 2020 of the Company; Mr. Gao Xiang, Mr. Yu Yuqun, Mr. Zeng Han, Mr. Wang Yu (Non-executive Directors of the Company), had been granted 1,200,000, 800,001, 600,000, 600,000 restricted shares respectively, under the Share Award Scheme 2021 of the Company. Mr. Zhang Xueqian, Mr. Tsui Kei Pang, Mr. Wang Caiyong, Ms. Yien Yu Yu, Catherine (Independent Non-Executive Directors of the Company) had been granted 300,000 restricted shares respectively under the Share Award Scheme 2021 of the Company respectively. The share-based payment expense recognised by the Group in 2022 amounted to RMB66,897,000 (2021: RMB14,372,000), among which the share-based payment expense related to executive directors, non-executive directors and independent non-executive directors amounted to approximately RMB10,962,000 (2021: RMB2,326,000).

Note 2: As at 31 December 2022, Mr. Yang Xiaohu, held 2.19% interest in the enlarged capital of CIMC Safe Tech (a subsidiary of the Company) under its Equity Incentive Scheme (the "SafeTech Incentive Scheme"); Mr. Gao Xiang, Mr. Yu Yuqun, Mr. Zeng Han, Mr. Wang Yu held 0.33%, 0.13%, 0.13% and 0.13% interest respectively in the enlarged capital of CIMC Safe Tech under the Safe Tech Incentive Scheme. The related share-based payment expense recognised by the Group in 2022 amounted to RMB15,604,000 (2021: RMB21,885,000), among which the share-based payment expense attributable to the directors of the Company amounted to approximately RMB6,893,000 (2021: RMB8,808,000).

Note 3: As at 31 December 2022, Mr. Yang Xiaohu, held 1.21% interest in the enlarged capital of CIMC CLPT (a subsidiary of the Company) under its under the Equity Incentive Scheme (the "CLPT Incentive Scheme"); Mr. Gao Xiang, Mr. Zeng Han and Mr. Wang Yu held 0.59%, 0.10%, 0.10% interest respectively in the enlarged capital of CLPT under the CLPT Incentive Scheme. The related share-based payment expense recognised by the Group in 2022 amounted to RMB22,808,000 (2021: nil), among which the share-based payment expense attributable to the directors of the Company amounted to approximately RMB8,811,000 (2021: nil).

10 Directors' remuneration *(Continued)*

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

(i) Mr. Zhang Xueqian ceased to be an independent non-executive director of the Company on 30 September 2022.

(ii) Mr. Yang Lei was appointed as independent non-executive director of the Company on 30 September 2022.

For the year ended 31 December 2022, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11 Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2021: one) whose emoluments are reflected in the analysis shown in Note 10. The emoluments payable to the remaining four individuals (2021: four) during the year are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**3,656**	3,948
Bonuses	**16,783**	15,353
Retirement scheme contributions	**579**	660
	21,018	19,961

In addition to the remuneration disclosed above, the four individuals with highest emoluments (who are not Directors of the Company) also participated in the Share Award Scheme 2020 of the Company, the CIMC Safe Tech Incentive Scheme and the CLPT Incentive Scheme respectively. During the year, the share-based payment expenses related to the aforementioned four individuals aggregated to approximately RMB6,446,000 (2021: RMB772,000).

The emoluments fell within the following bands:

	2022 Number of Individuals	2021 Number of Individuals
HKD2,500,001 – HKD3,000,000	**1**	–
HKD3,000,001 – HKD3,500,000	**–**	1
HKD6,500,001 – HKD7,000,000	**1**	1
HKD7,000,001 – HKD7,500,000	**2**	–
HKD7,500,001 – HKD8,000,000	**–**	2

12 Dividends

Final dividend of RMB364,258,000 in relation to the year ended 31 December 2021 was paid in 2022.

A final dividend in respect of the year ended 31 December 2022 of HKD0.24 (equivalent to approximately RMB0.21) per share has been proposed by the Directors. The proposed final dividend in respect of 2022 is subject to the approval of shareholders in the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

13 Earnings per share

The calculation of the basic and diluted earnings per share attributable to equity shareholders of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	**1,055,062**	883,581
Earnings for the purposes of diluted earnings per share	**1,003,448**	854,453

	2022	2021
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,997,107,907**	1,977,473,449
Effect of dilutive potential ordinary shares in respect of the convertible bonds and the Company's share option and share award schemes (notes 35 and 36)	**148,126,518**	16,913,164
Weighted average number of shares for the purpose of diluted earnings per share	**2,145,234,425**	1,994,386,613

	2022 RMB	2021 RMB
Earnings per share		
Basic earnings per share	**0.528**	0.447
Diluted earnings per share	**0.468**	0.428

14 Segment reporting

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, which is the Group's chief operating decision-maker, for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments based on the economic characteristics of the business units.

- Clean energy: this segment specialises in the manufacture and sale of a wide range of equipment and construction for the storage, transportation, application, processing and distribution of natural gas, liquefied petroleum gas ("LPG") and hydrogen such as compressed natural gas and hydrogen trailers, seamless pressure cylinders, liquefied natural gas ("LNG") trailers, LNG and hydrogen storage tanks, LPG tanks, LPG trailers, natural gas and hydrogen refuelling station systems and natural gas compressors; and the provision of engineering, procurement and construction services for the natural gas and hydrogen industries; the design, production and sale of small and medium-sized offshore liquefied gas carriers; natural gas and hydrogen processing and distribution services and the provision of value-added services for the clean energy 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 gaseous chemicals and powder chemicals; the provision of maintenance and value-added service for tank containers; and the provision of key equipment research and development and manufacturing, and professional consulting services in relation to environmental protection.

- Liquid food: this segment specialises in the engineering, manufacture and sale of stainless steel tanks for storage and processing liquid food such as beer, distilled spirits, fruit juice and milk; the provision of turnkey service for the brewery industry as well as other liquid food industries; and the provision of peripheral logistics service.

During the year, due to change in internal organisational structure, the Group's natural gas processing and treatment and distribution integrated solutions and related services have been reclassified from unallocated to the Clean Energy segment and peripheral logistics services from unallocated to the Liquid Food segment. Accordingly, the corresponding periods' comparative figures have been restated.

(a) Segment results, assets and liabilities

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

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

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

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

14 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue from external customers	10,591,120	11,210,471	5,241,667	3,793,827	3,619,638	3,420,465	19,452,425	18,424,763
Inter-segment revenue	–	56	63,329	135,540	–	–	63,329	135,596
Reportable segment revenue	10,591,120	11,210,527	5,304,996	3,929,367	3,619,638	3,420,465	19,515,754	18,560,359
Timing of revenue recognition								
At a point in time	7,428,433	8,060,365	5,304,996	3,929,367	33,270	16,213	12,766,699	12,005,945
Over time	3,162,687	3,150,162	–	–	3,586,368	3,404,252	6,749,055	6,554,414
Reportable segment profit (adjusted profit from operations)	316,607	440,467	832,522	366,074	439,340	541,259	1,588,469	1,347,800
Interest income from bank deposits	8,056	17,291	6,346	1,460	334	1,065	14,736	19,816
Interest expense	(12,172)	(24,624)	(5,175)	(8,091)	(7,192)	(2,829)	(24,539)	(35,544)
Depreciation and amortisation for the year	(262,983)	(212,265)	(39,095)	(36,114)	(47,523)	(44,857)	(349,601)	(293,236)
Reportable segment assets	12,306,206	11,615,347	3,802,275	2,995,798	4,709,411	3,265,343	20,817,892	17,876,488
Additions to non-current assets during the year	331,497	246,365	106,547	175,711	42,152	68,758	480,196	490,834
Reportable segment liabilities	6,407,380	5,500,841	1,444,547	1,137,206	2,537,281	1,706,877	10,389,208	8,344,924

14 Segment reporting *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Revenue		
Reportable segment revenue	**19,515,754**	18,560,359
Elimination of inter-segment revenue	**(63,329)**	(135,596)
Unallocated revenue	**149,336**	–
Consolidated revenue	**19,601,761**	18,424,763

	2022 RMB'000	2021 RMB'000
Profit		
Reportable segment profit	**1,588,469**	1,347,800
Elimination of inter-segment profit	**(3,823)**	(2,864)
Reportable segment profit derived from Group's external customers	**1,584,646**	1,344,936
Finance costs	**(80,470)**	(70,425)
Share of net post-tax profit/(loss) of associates and joint ventures	**6,484**	(2,577)
Unallocated operating income and expenses	**(112,358)**	(132,377)
Consolidated profit before taxation	**1,398,302**	1,139,557

14 Segment reporting *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Assets		
Reportable segment assets	**20,817,892**	17,876,488
Elimination of inter-segment receivables	**(6,542)**	(34,337)
	20,811,350	17,842,151
Deferred tax assets	**140,086**	115,918
Unallocated assets	**1,263,038**	1,066,604
Consolidated total assets	**22,214,474**	19,024,673

	2022 RMB'000	2021 RMB'000
Liabilities		
Reportable segment liabilities	**10,389,208**	8,344,924
Elimination of inter-segment payables	**(6,542)**	(34,337)
	10,382,666	8,310,587
Income tax payable	**144,010**	194,158
Deferred tax liabilities	**119,125**	96,058
Convertible Bond	**1,388,644**	1,234,980
Unallocated liabilities	**652,522**	689,213
Consolidated total liabilities	**12,686,967**	10,524,996

14 Segment reporting *(Continued)*

(c) Geographic information

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

	Revenues from external customers		Specified non-current assets	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
PRC (place of domicile)	**8,995,216**	9,095,732	**4,721,293**	4,640,844
United States	**2,121,782**	1,260,730	**7**	7
European countries	**2,564,086**	2,520,792	**476,447**	474,284
Asian countries (other than PRC)	**3,426,382**	2,459,281	**1,788**	2,133
Other American countries	**2,000,278**	2,660,825	**–**	–
Other countries	**494,017**	427,403	**–**	–
	10,606,545	9,329,031	**478,242**	476,424
	19,601,761	18,424,763	**5,199,535**	5,117,268

For the year ended 31 December 2022, there was no single external customer that accounted for 10% or more of the Group's total revenue (2021: nil).

14 Segment reporting *(Continued)*

(d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 RMB'000	2021 RMB'000
Contract assets	**1,180,636**	1,325,555
Loss allowance	**(79,025)**	(74,152)
Total contract assets	**1,101,611**	1,251,403
Contract liabilities – Products	**1,221,282**	1,205,686
Contract liabilities – Project engineering contracts	**2,594,931**	1,213,192
Total contract liabilities	**3,816,213**	2,418,878

(i) Significant changes in contract assets and liabilities

Contract assets balances of the Group decreased as at 31 December 2022 as the Group had delivered several projects at the end of 2022.

The significant increase of contract liabilities of the Group was due to down payment received from customers relating to several large-scale engineering projects undertaken by the Group during the year ended 31 December 2022.

(ii) Revenue recognised in relation to contract liabilities

The following table discloses the amount of revenue recognised in the current reporting period relating to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Product offerings	**1,098,056**	1,461,219
– Project engineering contracts	**825,406**	765,276
	1,923,462	2,226,495

15 Property, plant and equipment

	Buildings RMB'000	Leasehold improve-ments RMB'000	Pipelines RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost:							
At 1 January 2021	2,412,270	309	161,296	2,137,001	158,304	310,200	5,179,380
Additions	22,589	–	475	67,318	6,550	32,031	128,963
Acquisition through business combinations	4,781	–	–	3,505	–	26	8,312
Transfers from construction in progress (note 16)	113,682	–	–	195,200	1,777	5,984	316,643
Disposals	(4,930)	–	–	(34,767)	(1,755)	(2,037)	(43,489)
Exchange differences	(18,365)	(10)	–	(33,327)	(6,697)	(5,385)	(63,784)
At 31 December 2021	2,530,027	299	161,771	2,334,930	158,179	340,819	5,526,025
At 1 January 2022	**2,530,027**	**299**	**161,771**	**2,334,930**	**158,179**	**340,819**	**5,526,025**
Additions	**18,256**	**–**	**–**	**103,089**	**21,939**	**28,864**	**172,148**
Transfers from construction in progress (note 16)	**483,095**	**–**	**–**	**127,656**	**57,146**	**20,663**	**688,560**
Transfers to investment properties	**(197)**	**–**	**–**	**–**	**–**	**–**	**(197)**
Disposals	**(18,535)**	**–**	**–**	**(74,264)**	**(8,750)**	**(13,537)**	**(115,086)**
Exchange differences	**7,392**	**–**	**–**	**8,060**	**2,180**	**2,467**	**20,099**
At 31 December 2022	**3,020,038**	**299**	**161,771**	**2,499,471**	**230,694**	**379,276**	**6,291,549**
Accumulated depreciation:							
At 1 January 2021	(631,046)	(309)	(6,722)	(1,142,995)	(85,060)	(243,539)	(2,109,671)
Charge for the year	(99,624)	–	(7,763)	(135,250)	(10,318)	(19,040)	(271,995)
Written back on disposals	3,436	–	–	29,237	1,619	1,457	35,749
Exchange differences	9,090	10	–	20,403	6,314	4,041	39,858
At 31 December 2021	(718,144)	(299)	(14,485)	(1,228,605)	(87,445)	(257,081)	(2,306,059)
At 1 January 2022	**(718,144)**	**(299)**	**(14,485)**	**(1,228,605)**	**(87,445)**	**(257,081)**	**(2,306,059)**
Charge for the year	**(113,237)**	**–**	**(5,074)**	**(146,681)**	**(15,642)**	**(25,854)**	**(306,488)**
Written back on disposals	**5,189**	**–**	**–**	**53,706**	**8,572**	**10,536**	**78,003**
Transfers to investment properties	**57**	**–**	**–**	**–**	**–**	**–**	**57**
Exchange differences	**(7,012)**	**–**	**–**	**(7,622)**	**(1,944)**	**(1,999)**	**(18,577)**
At 31 December 2022	**(833,147)**	**(299)**	**(19,559)**	**(1,329,202)**	**(96,459)**	**(274,398)**	**(2,553,064)**
Net book value:							
At 31 December 2022	**2,186,891**	**–**	**142,212**	**1,170,269**	**134,235**	**104,878**	**3,738,485**
At 31 December 2021	1,811,883	–	147,286	1,106,325	70,734	83,738	3,219,966

15 Property, plant and equipment *(Continued)*

As at 31 December 2022, the Group was in the process of registering the title of buildings at net book value of RMB58,512,600 (2021: RMB105,209,500) with the relevant government authorities.

Depreciation of the property, plant and equipment has been charged to the following categories in the consolidated income statement:

	2022 RMB'000	2021 RMB'000
Cost of sales	**253,767**	223,351
Selling expenses	**5,205**	2,383
Administrative expenses	**47,516**	46,261
	306,488	271,995

16 Construction in progress

	2022 RMB'000	2021 RMB'000
At 1 January	**775,858**	366,939
Additions	**286,267**	714,256
Acquisition through business combination	**–**	22,697
Transfers to property, plant and equipment (note 15)	**(688,560)**	(316,643)
Transfers to intangible assets (note 20)	**(4,664)**	(8,826)
Impairment losses (a)	**(42,122)**	–
Exchange differences	**545**	(2,565)
At 31 December	**327,324**	775,858

(a) Impairment assessment is conducted by comparing the recoverable amounts of the respective construction in progress projects against their carrying amounts. Based on the results of the impairment assessment conducted, the Group recognised impairment losses of RMB42,122,000 in aggregate on three construction in progress projects for the year ended 31 December 2022.

17 Leases

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

(i) Amounts recognised in the consolidated balance sheet

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

	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Buildings	**134,995**	97,029
Others	**5,144**	115
	140,139	97,144
Lease liabilities		
Current	**32,667**	23,099
Non-current	**116,251**	80,715
	148,918	103,814

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

Additions to the right-of-use assets during the year ended 31 December 2022 amounted to RMB81,964,000 (year ended 31 December 2021: RMB15,196,000).

(ii) Amounts recognised in the consolidated income statement

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**(34,663)**	(23,917)
Others	**(1,737)**	(254)
	(36,400)	(24,171)
Interest expense (included in finance cost)	**(3,606)**	(4,482)
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expense)	**(11,699)**	(8,875)

17 Leases *(Continued)*

(ii) Amounts recognised in the consolidated income statement *(Continued)*

The total cash outflow for leases in 2022 was RMB40,653,000 (2021: RMB22,573,000).

(iii) The Group's leasing activities and related accounting treatments

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 20 years, and do not have extension options included in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18 Investment Properties

	2022 RMB'000	2021 RMB'000
Cost:		
At 1 January	**59,172**	48,689
Transfers (to)/from owner-occupied property (notes 15 & 19)	**(7,052)**	10,483
At 31 December	**52,120**	59,172
Accumulated depreciation:		
At 1 January	**(12,383)**	(9,989)
Transfers to/(from) owner-occupied property (notes 15 & 19)	**490**	(1,139)
Charge in year	**(1,321)**	(1,255)
At 31 December	**(13,214)**	(12,383)
Net book value:		
At 31 December	**38,906**	46,789

19 Lease prepayments

	2022 RMB'000	2021 RMB'000
Cost:		
At 1 January	**719,611**	670,068
Acquisition through business combination	**–**	2,525
Additions	**–**	62,508
Transfers from/(to) investment properties (note 18)	**7,249**	(10,483)
Disposals	**(12,639)**	(5,007)
At 31 December	**714,221**	719,611
Accumulated amortisation:		
At 1 January	**(138,614)**	(127,304)
Charge for the year	**(15,981)**	(15,117)
Transfers (from)/to investment properties (note 18)	**(547)**	1,139
Written back on disposal	**2,252**	2,668
At 31 December	**(152,890)**	(138,614)
Net book value:		
At 31 December	**561,331**	580,997

Lease prepayments represent payments for land use rights situated in the PRC. The Group's land use rights have remaining terms ranging from 25 to 47 years as at 31 December 2022 (2021: 26 to 48 years).

20 Intangible assets

	Technical know-how RMB'000	Tradename RMB'000	Trademarks RMB'000	Software RMB'000	Customer relationship RMB'000	Right of operation RMB'000	Total RMB'000
Cost:							
At 1 January 2021	306,349	79,901	250	41,055	47,000	21,000	495,555
Additions	4,656	–	1,047	5,314	–	–	11,017
Transfers from construction in progress (note 16)	–	–	–	8,826	–	–	8,826
Impairment charge	(28,000)	–	–	–	–	–	(28,000)
Exchange differences	(9,017)	(4,651)	(121)	(849)	–	–	(14,638)
At 31 December 2021	273,988	75,250	1,176	54,346	47,000	21,000	472,760
At 1 January 2022	**273,988**	**75,250**	**1,176**	**54,346**	**47,000**	**21,000**	**472,760**
Additions	**21,971**	**–**	**–**	**1,074**	**–**	**–**	**23,045**
Transfers from construction in progress (note 16)	**–**	**–**	**–**	**4,664**	**–**	**–**	**4,664**
Exchange differences	**557**	**645**	**144**	**197**	**–**	**–**	**1,543**
At 31 December 2022	**296,516**	**75,895**	**1,320**	**60,281**	**47,000**	**21,000**	**502,012**
Accumulated amortisation:							
At 1 January 2021	(228,165)	(28,374)	(240)	(12,082)	(41,383)	(1,598)	(311,842)
Charge for the year	(22,578)	(2,729)	–	(2,587)	(5,617)	(913)	(34,424)
Exchange differences	7,988	3,001	24	529	–	–	11,542
At 31 December 2021	(242,755)	(28,102)	(216)	(14,140)	(47,000)	(2,511)	(334,724)
At 1 January 2022	**(242,755)**	**(28,102)**	**(216)**	**(14,140)**	**(47,000)**	**(2,511)**	**(334,724)**
Charge for the year	**(9,694)**	**(4,306)**	**(334)**	**(11,603)**	**–**	**(913)**	**(26,850)**
Exchange differences	**(314)**	**(963)**	**(121)**	**(105)**	**–**	**–**	**(1,503)**
At 31 December 2022	**(252,763)**	**(33,371)**	**(671)**	**(25,848)**	**(47,000)**	**(3,424)**	**(363,077)**
Net book value:							
At 31 December 2022	**43,753**	**42,524**	**649**	**34,433**	**–**	**17,576**	**138,935**
At 31 December 2021	31,233	47,148	960	40,206	–	18,489	138,036

20 Intangible assets *(Continued)*

The amortisation of the intangible assets has been charged to the following categories in the consolidated income statement:

	2022 RMB'000	2021 RMB'000
Cost of sales	**913**	913
Administrative expenses	**25,937**	33,511
	26,850	34,424

21 Interests in associates and joint ventures

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

	2022 RMB'000	2021 RMB'000
At 1 January	**110,099**	192,370
Additions	**42,324**	33,547
Impairment loss	**(11,564)**	(948)
Dividend distribution	**(1,042)**	(5,040)
Share of post-tax profit/(loss) of associates	**6,479**	(2,577)
Share of other comprehensive income/(loss) of an associate	**57**	(16)
Disposal	**(26,642)**	(107,237)
At 31 December	**119,711**	110,099

The movement of the interests in joint venture during the year is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**100,000**	–
Additions	**–**	100,000
Share of post-tax profit of a joint venture	**5**	–
At 31 December	**100,005**	100,000

21 Interests in associates and joint ventures *(Continued)*

Particulars of the principal investments in associates and joint venture as at 31 December 2022 and 2021 are set out below:

Name of entity	Nature of relationship	Place and date of establishment/ incorporation	Authorised/ registered/paid-in capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021
Associate:					
Shanghai Tanklink Technology Development Co., Ltd.	Associate	PRC 12 March 2014	Registered and paid-in capital of RMB7,500,000	20%	20%
Shenzhen CIMC Tongchuang Supply Chain Co., Ltd.*	Associate	PRC 22 March 2016	Registered and paid-in capital of RMB200,000,000	8.19%	10%
Shenzhen CIMC Huijie Supply Chain Co., Ltd.*	Associate	PRC 13 July 2018	Registered and paid-in capital of RMB100,000,000	–	10%
Guizhou Yinke Environmental Resources Co., Ltd.	Associate	PRC 17 January 2017	Registered and paid-in capital of RMB53,570,000 and RMB51,320,000 respectively	27.9%	27.9%
Yichuan Tianyun Clean Energy Co., Ltd.	Associate	PRC 3 January 2019	Registered and paid-in capital of RMB80,000,000	43%	43%
Dali Bohai Precious Metal Technology Co., Ltd.	Associate	PRC 11 March 2022	Registered and paid-in capital of RMB6,000,000 and RMB3,000,000 respectively	20%	–
CIMC-Hexagon Hydrogen Energy Technologies Limited	Associate	Hong Kong	Registered and paid-in capital of USD3,534,208	49%	–
Joint Venture:					
Angang CIMC (Yingkou) New Energy Technology Co., Ltd.	Joint Venture	PRC 6 August 2021	Registered and paid-in capital of RMB200,000,000 and nil respectively	50%	50%

* The Group holds less than 20% of the ownership interest of the entities, however, the Group has significant influence in the entities as the Group has the right to appoint director(s) to the board of the entities. As at 31 December 2022 and 2021, the associates and joint ventures set above were individually immaterial to the Group.

22 Subsidiaries

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

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
Enric (Bengbu) Compressor Company Limited	PRC, limited liability company	Manufacture and sale of compressors and related accessories, PRC	Registered and paid-in capital of HKD60,808,385	–	–	100%	100%
Shijiazhuang Enric Gas Equipment Company Limited	PRC, limited liability company	Manufacture and sale of clean energy pressure vessels, PRC	Registered and paid-in capital of USD32,000,000	–	–	100%	100%
Enric (Langfang) Energy Equipment Integration Company Limited	PRC, limited liability company	Provision of integrated business solutions for gas equipment, PRC	Registered and paid-in capital of HKD115,000,000	–	–	100%	100%
Beijing Enric Energy Technologies Limited	PRC, limited liability company	Research and development of technology for application in natural gas equipment, PRC	Registered and paid-in capital of HKD40,000,000	–	–	100%	100%
CIMC Enric (Jingmen) Energy Equipment Company Limited ("Jingmen")	PRC, limited liability company	Investment holding, PRC	Registered and paid-in capital of HKD50,000,000	–	–	100%	100%
Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("Hongtu") (i)	PRC, limited liability company	Manufacture and sale of clean energy related equipment, PRC	Registered and paid-in capital of RMB100,000,000	–	–	90%	90%
Zhangjiagang Greenergy Cryogenic Engineering Company Limited ("Greenergy") (i)	PRC, limited liability company	Investment holding, PRC	Registered and paid-in capital of RMB500,000	–	–	90%	90%
CIMC Safeway Technologies Co., Ltd. ("CIMC Safe Tech")	PRC, joint stock company	Production and sales of tank containers PRC	Registered and paid-in capital of RMB510,000,000	–	–	100% (note(36(d))	100% (note(36(d))

22 Subsidiaries *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. ("Sanctum")	PRC, limited liability company	Design, production, sales and technical service of cryogenic storage and transportation equipment PRC	Registered and paid-in capital of RMB795,532,042 and RMB364,862,042 respectively	–	–	100%	100%
Zhangjiagang CIMC Sanctum Special Equipment Co., Ltd. ("Sanctum Special Equipment")	PRC, limited liability company	Manufacture and sale of clean energy pressure vessel PRC	Registered and paid-in capital of RMB30,000,000	–	–	100%	100%
CIMC Enric Tank and Process B.V.	The Netherlands, limited liability company	Investment holding The Netherlands	Authorised capital of EUR20,000,000 and paid-in capital of EUR14,038,200	–	–	100%	100%
Ziemann Holvrieka B.V.	The Netherlands, limited liability company	Sales, manufacture and engineering of liquid food tanks The Netherlands	Authorised and paid-in capital of EUR136,200	–	–	100%	100%
Ziemann Holvrieka N.V.	Belgium, limited liability company	Sales, engineering and manufacture of tanks Belgium	Authorised and paid-in capital of EUR991,574.10	–	–	100%	100%
Ziemann Holvrieka A/S	Denmark, limited liability company	Sales, engineering and manufacture of tanks Denmark	Registered and paid-in capital of DKK1,000,001	–	–	100%	100%
Enric Gas Equipment Yangzhou Company Limited	PRC, limited liability company	Repair and maintenance of clean energy pressure vessels PRC	Registered and paid-in capital of RMB12,000,000	–	–	100%	100%
CIMC Enric Investment Holdings (Shenzhen) Limited ("EIHL")	PRC, limited liability company	Investment holding PRC	Registered and paid-in capital of USD80,000,000 and USD48,160,000 respectively	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
CIMC Enric Engineering Technology Co., Ltd. ("CET") (formerly known as Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd.)	PRC, limited liability company	Provision of project clean energy engineering services PRC	Registered and paid-in capital of RMB88,000,000	–	–	100%	100%
Nantong CIMC Energy Equipment Co., Ltd. ("Nantong Transport")	PRC, limited liability company	Manufacture and sales of clean energy related equipment PRC	Registered and paid-in capital of RMB69,945,000	–	–	100%	100%
Ziemann Holvrieka GmbH	Germany, limited liability company	Sales, engineering and manufacturing of liquid food tanks Germany	Authorised and paid-in capital of EUR16,000,000	–	–	100%	100%
CIMC Enric SJZ Gas Equipment, INC.	U.S.A., limited liability company	Manufacture and sale of pressure vessels U.S.A.	Registered and paid-in capital of USD900,000	–	–	100%	100%
Enric Management Limited	British Virgin Islands, limited liability company	Investment holding British Virgin Islands	Authorised capital of 50,000 no par value shares and paid-in capital of RMB20,000	100%	100%	–	–
CIMC Sanctum Cryogenic Equipment Nantong Co., Ltd.	PRC, limited liability company	Manufacture and sale of pressure vessels PRC	Registered and paid-in capital of RMB20,000,000 and RMB10,000,000 respectively	–	–	100%	100%
CIMC Liquid Process Technology Co., Ltd. (formerly known as Ziemann Holvrieka Asia Co., Ltd.) ("CLPT") (i), (ii)	PRC, joint stock company	Manufacture and sale of tanks PRC	Registered and paid-in capital of USD47,700,000	–	–	94% (note(36(e))	100%

22 Subsidiaries *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. ("Hashenleng") (i)	PRC, limited liability company	Provision of integrated business solutions for gas equipment PRC	Registered capital and paid-in capital of RMB50,000,000	–	–	85%	85%
Briggs of Burton PLC	U.K., limited liability company	Process engineering U.K.	Paid-in capital of GBP142,397	–	–	100%	100%
CIMC Enric Energy Engineering (S) Pte. Ltd. ("CEE")	Singapore, limited liability company	Engineering and manufacture services for the oil and gas industry Singapore	Paid-in capital of SNG4,750,000	–	–	100%	100%
Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd.	PRC, limited liability company	Design and manufacture of liquified gas carriers and marine oil and gas module PRC	Registered and paid-in capital of RMB1,223,916,838 and RMB1,183,886,838 respectively	–	–	100%	100%
Anjiehui Internet of Things Information Technology (Suzhou) Co., Ltd.	PRC, limited liability company	Clean energy Information technology PRC	Registered and paid-in capital of RMB3,000,000 and RMB1,500,000 respectively	–	–	100%	100%
Shanghai CIMC TZ Clean Energy Co., Ltd. ("ESH") (i)	PRC, limited liability company	Clean energy technology PRC	Registered and paid-in capital of RMB30,000,000	–	–	90%	90%
CIMC Nantong Port Development Co., Ltd ("EYX") (i)	PRC, limited liability company	Terminal and depot services PRC	Registered and paid-in capital of RMB4,285,710	–	–	70%	70%
CIMC Eco Building Technology Co., Ltd. ("GCT") (i)	PRC, limited liability company	Processing of non-metallic scrap PRC	Registered and paid-in capital of RMB60,000,000 and RMB56,650,000 respectively	–	–	76.67%	76.67%

22 Subsidiaries *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
CIMC Eco Building Technology (Lian Yun Gang) Co., Ltd. ("LYG") (i)	PRC, limited liability company	Comprehensive utilisation of ore PRC	Registered and paid-in capital of RMB35,000,000	–	–	61.33%	61.33%
CIMC Environmental Service Co., Ltd. (formerly known as CIMC Environmental Technology Co., Ltd.) ("ENV") (i)	PRC, limited liability company	Environmental related technology research and equipment manufacturing PRC	Registered and paid-in capital of RMB56,726,000	–	–	90.66%	90.66%
CIMC Energy Equipment Service (Jiangsu) Co., Ltd. ("EFW")	PRC, limited liability company	Detection and maintenance of gas cylinders for natural gas vehicles PRC	Registered and paid-in capital of RMB15,000,000	–	–	–	70%
CIMC Saiwei Technology Service Co., Ltd. (formerly known as Jiaxing Tank Service Co., Ltd. ("EBG")) (i)	PRC, limited liability company	Provision of after-sales service for tank containers PRC	Registered and paid-in capital of RMB10,000,000	–	–	70%	70%
Ningxia Changming Natural Gas Development Ltd. ("Ningxia Changming") (i)	PRC, limited liability company	Liquefaction of natural gas PRC	Registered and paid-in capital of RMB223,625,000 and RMB208,000,000 respectively	–	–	67.53%	67.53%
CIMC (Yunnan) Renewable Resources Co., Ltd. ("EYN") (i)	PRC, limited liability company	Collection, process and sale of renewable resources PRC	Registered and paid-in capital of RMB17,540,000	–	–	57.01%	57.01%
Shanxi Tianhao Clean Energy Co., Ltd. ("ESX") (i)	PRC, limited liability company	Liquefaction of natural gas and coalbed gas PRC	Registered and paid-in capital of RMB60,000,000	–	–	50%	50%
DME Process Systems Ltd. ("DME")	Canada, limited liability company	Design and manufacture of craft brewing equipment Canada	Registered and paid-in capital of CAD1,210,000	–	–	100%	100%

22 Subsidiaries *(Continued)*

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Authorised/ registered/ paid-in capital	Ownership interest held by the Group			
				Direct		Indirect	
				2022	2021	2022	2021
CIMC Tank Engineering & Service Ltd. ("CTES")	U.K., limited liability company	R & D centre for Production and sales of tank containers U.K.	Registered and paid-in capital of GBP500,000	–	–	100%	100%
Zhangjiagang dada Energy Equipment Co., Ltd ("DDZ")	PRC, limited liability company	Energy equipment manufacturing and design PRC	Registered and paid-in capital of RMB42,400,000	–	–	100%	100%
Lindenau Full Tank Services GmbH ("LFTS")	Germany, limited liability company	Transformation, sales and renovation of energy tank Germany	Registered and paid-in capital of EUR25,000	–	–	100%	100%
McMillan Coppersmiths & Fabricators Limited ("McMillan")	U.K., limited liability company	Manufacture of copper distiller for liquor U.K.	Registered and paid-in capital of GBP10,000	–	–	100%	100%
CIMC Xinneng (Shenzhen) Technology Co., Ltd	PRC, limited liability company	Clean energy technology PRC	Registered and paid-in capital of RMB28,000,000	–	–	100%	–
CIMC Bluewater Technology Development (Guangdong) Co., Ltd ("ELS")	PRC, limited liability company	Clean energy technology PRC	Registered and paid-in capital of RMB40,000,000	–	–	65%	–
CIMC Hexagon Hydrogen Energy Development (Hebei) Co., Ltd ("HSK")	PRC, limited liability company	Clean energy technology PRC	Registered and paid-in capital of RMB100,000,000	–	–	51%	–

(i) Hongtu, Greenergy, CLPT, Hashenleng, ESH, EYX, GCT, LYG, ENV, EBG, Ningxia Changming, EYN, ESX, ELS and HSK are non-wholly owned subsidiaries of the Group. As at 31 December 2022, the non-controlling interests in the abovementioned non-wholly owned subsidiaries are immaterial to the Group.

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

23 Goodwill

	2022 RMB'000	2021 RMB'000
Cost		
At 1 January	**364,895**	345,025
Acquisition through business combination	**–**	24,832
Exchange differences	**(2,505)**	(4,962)
At 31 December	**362,390**	364,895
Less: Impairment provision		
At 31 December	**(108,224)**	(108,224)
Net Goodwill	**254,166**	256,671

(a) Impairment tests for goodwill

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

	2022 RMB'000	2021 RMB'000
CET	**86,558**	86,558
Briggs	**74,774**	76,983
Hongtu	**27,221**	27,221
McMillan	**22,311**	22,686
Wanxintai	**19,319**	19,319
Sanctum	**8,297**	8,297
CIMC Safe Tech	**7,265**	7,265
Talengtong	**5,513**	5,513
LFTS	**2,908**	2,829
At 31 December	**254,166**	256,671

23 Goodwill *(Continued)*

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

For the significant amount of goodwill allocated to the CGU relating to CET, Hongtu, Briggs, McMillan and Wanxintai, the key assumptions and discount rate used in the value-in-use calculations in 2022 and 2021 are as follows:

	CET		Hongtu		Briggs		McMillan		Wanxintai	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue (average annual growth rate)	**10%**	19%	**3%**	-1%	**13%**	13%	**10%**	8%	**2%**	1%
Gross margin (% of revenue)	**9%**	9%	**16%**	16%	**40%**	41%	**46%**	45%	**8%**	8%
Pre-tax discount rate	**15.92%**	15.62%	**15.61%**	15.03%	**14.87%**	14.31%	**13.22%**	12.97%	**16.40%**	16.33%

Revenue refers to the average annual growth rate over the five-year forecast period. It is based on the CGU's growth forecasts and the average long-term growth rate for the relevant industry.

Gross margin refers to the average margin as a percentage of revenue over the five-year forecast period. It is determined based on the CGU's past performance and their expectations for market development.

Other operating costs are forecasted based on the current structure of the business, adjusted for inflationary increases but not the effect of any future restructuring or cost saving measures that might be adopted. The amounts disclosed above are the average operating costs for the five-year forecast period.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

24 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2022 RMB'000	2021 RMB'000
Raw materials	**1,666,437**	1,266,028
Work in progress	**1,487,518**	1,356,530
Finished goods	**1,481,752**	1,683,417
Consignment materials	**660**	6,378
	4,636,367	4,312,353

24 Inventories *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Cost of inventories	**10,931,814**	11,129,768
Cost from project engineering projects	**5,268,507**	4,588,993
Write-down of inventories	**36,574**	18,047
Reversal of write-down of inventories	**(4,876)**	(5,541)
Raw material consumed for research and development	**225,170**	228,195
	16,457,189	15,959,462

(c) The movements of allowance for impairment are analysed as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**122,016**	116,332
Allowance for impairment	**36,574**	18,047
Write-off due to disposal of impaired inventory	**(4,400)**	(6,030)
Reversal of allowance	**(4,876)**	(5,541)
Exchange differences	**(770)**	(792)
At 31 December	**148,544**	122,016

25 Trade and bills receivables

	2022 RMB'000	2021 RMB'000
Trade receivables	**3,372,209**	2,833,114
Less: allowance for excepted credit loss	**(264,132)**	(295,096)
	3,108,077	2,538,018
Bills receivables (i)	**362,338**	411,211
	3,470,415	2,949,229

25 Trade and bills receivables *(Continued)*

(i) As at 31 December 2022, amounts of RMB220,474,000 represent bank acceptance bills classified as financial assets at fair value through other comprehensive income, which the Group had discounted or endorsed to financial institutions for treasury management purposes (2021: RMB104,475,000). Amounts of RMB80,110,000 and RMB61,754,000 represent trade acceptance bills and bank acceptance bills, respectively classified as financial assets at amortised cost, which the Group has intended to hold until maturity(2021: RMB25,091,000 and RMB281,645,000).

As at 31 December 2022, amounts of RMB41,673,000 and RMB29,302,000 (2021: RMB47,018,000 and RMB8,135,000) represent bank acceptance bills and trade acceptance bills, respectively, which the Group had endorsed to financial institutions but they did not meet the criteria of derecognition, therefore, the amounts remained on-book.

(a) Ageing analysis

An ageing analysis of trade and bills receivables based on due date (net of allowance for expected credit loss) is as follows:

	2022 RMB'000	2021 RMB'000
Current	**2,784,761**	2,441,212
Less than 3 months past due	**417,634**	241,337
More than 3 months but less than 12 months past due	**183,634**	134,948
More than 1 year but less than 2 years past due	**46,959**	86,752
More than 2 years but less than 3 years past due	**34,185**	32,947
More than 3 years but less than 5 years past due	**3,242**	12,033
Amounts past due	**685,654**	508,017
	3,470,415	2,949,229

Trade and bills receivables are expected to be settled within one year. In general, debts are due for payment upon 30–90 days after billing. Subject to negotiation, credit terms up to twelve months are available for certain customers with well-established trade and payment history on a case-by-case basis. Details on the Group's credit policy are set out in note 5(a)(ii).

(b) Fair values of trade and bills receivables

The carrying amounts of the Group's trade and bills receivables as at 31 December 2022 and 31 December 2021 approximated their fair values.

25 Trade and bills receivables *(Continued)*

(c) Impairment and risk exposure

The loss allowance decreased by RMB30,964,000 from RMB295,096,000 as at 1 January 2022 to RMB264,132,000 as at 31 December 2022 for trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk was included in note 5.

26 Deposits, other receivables and prepayments

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	1,164,320	608,236
Deductible input value-added tax and other refundable taxes	264,846	369,406
Deposits for tenders and contract work	153,473	177,065
Prepayments for services	27,109	17,179
Staff advances	32,519	39,383
Others	15,993	9,875
Less: Loss allowance	(13,917)	(8,404)
	1,644,343	1,212,740

27 Restricted bank deposits

	2022 RMB'000	2021 RMB'000
Deposits for performance guarantees	382,398	437,129

28 Cash and cash equivalents

	2022 RMB'000	2021 RMB'000
Cash in hand and demand deposits	5,223,453	3,173,351

29 Financial instruments at fair value through profit or loss

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

(a) Derivative financial instruments

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

	2022		2021	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts – held for trading	**24,162**	**(101,813)**	52,488	–

At 31 December 2022 and 2021, 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.

As at 31 December 2022, the Group had certain unsettled forward contracts, mainly denominated in United States Dollars ("USD") and Euro ("EUR"). The nominal value of these contracts amounted to USD395,692,000 and EUR19,877,000, respectively. Pursuant to these forward contracts, the Group are required to buy/sell foreign currencies, such as USD and EUR of contracted nominal value at agreed rates in exchange for RMB at the contract settlement dates. These forwards contracts will be settled on a net basis by comparing the market rates at the settlement dates and the agreed rates. The settlement dates of the aforesaid forwards contracts range from 5 January 2023 to 31 October 2024.

(b) Risk exposure and fair value measurements

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

(c) Contingent Consideration

As at 31 December 2022, the contingent consideration amounted to RMB15,628,000(31 December 2021: RMB404,000). It represented the fair value of the contingent assets in relation to the acquisition of Jingbian Talengtong Natural Gas Co., Ltd and Yulin Wanxintai Industry and Trade Co., Ltd on 1 April 2021.

30 Bank loans

(a) The bank loans were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**367,774**	106,595
After 1 year but within 2 years	**43,500**	6,000
After 2 years but within 5 years	**33,425**	137,640
	444,699	250,235

(b) At 31 December 2022, all the bank loans were unsecured.

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

	2022 RMB'000	2021 RMB'000
RMB	**82,925**	127,595
HKD	**361,774**	122,640
	444,699	250,235

(d) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5(b).

31 Trade and bills payables

	2022 RMB'000	2021 RMB'000
Trade creditors	**2,970,755**	2,763,209
Bills payables	**521,610**	539,559
	3,492,365	3,302,768

31 Trade and bills payables *(Continued)*

An ageing analysis of trade and bills payables of the Group as at the end of each of the year, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**2,487,962**	2,309,723
3 months to 12 months	**826,202**	827,661
Over 12 months	**178,201**	165,384
	3,492,365	3,302,768

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

32 Other payables and accrued expenses

	2022 RMB'000	2021 RMB'000
Accrued expenses	**549,574**	508,921
Employees' salary bonus and welfare	**585,464**	466,946
Preacquisition restructuring liabilities of a subsidiary	**3,672**	30,549
Deposits received	**86,866**	65,736
Payables in relation to share award scheme (note 36(b))	**5,087**	47,704
Other taxes payable	**265,865**	219,795
Payables for construction work	**219,790**	217,924
Other surcharges payable	**19,481**	22,773
Payables in relation to share-based transactions of subsidiaries (note 36(d)(e))	**222,653**	139,719
Capital contribution payable for investment in a joint venture (i)	**-**	100,000
Dividend payables to a non-controlling shareholder	**22,500**	–
Others	**30,030**	17,888
	2,010,982	1,837,955

(i) Pursuant to an agreement dated 26 May 2021, EIHL (a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Angang Energy Technology Co., Ltd. whereby EIHL will invest RMB100,000,000 as capital contribution and holds a 50% equity interest in the joint venture. The corresponding cash consideration was paid by the Group in 2022.

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

33 Warranty provision

	2022 RMB'000	2021 RMB'000
At 1 January	**172,122**	185,514
Additional provision made	**104,699**	90,510
Reversal of provision	**(90,175)**	(52,963)
Provisions utilised	**(50,468)**	(42,930)
Exchange differences	**11,187**	(8,009)
At 31 December	**147,365**	172,122
Represented by:		
Current portion	**50,878**	54,476
Non-current portion	**96,487**	117,646
Balance at 31 December	**147,365**	172,122

The Group provides one to three years' warranty period for certain products. Provision is made for the best estimate of the expected cost that were required to incur within the warranty period under these arrangements in respect of sales made prior to the balance sheet date. The amount of provision has taken into account the Group's recent claim experience.

34 Other borrowings

Other borrowings represent the Group's obligations arising from sales and leaseback transactions where the leases are regarded as a finance lease. Management considers that the transactions are structured in a way for the lessors to provide finance to the Group, with the underlying leased assets as security. The borrowings are paid by instalments within five years.

	2022 RMB'000	2021 RMB'000
Payments in relation to other borrowings as follows:		
Within one year	–	5,213
Later than one year but not later than two years	–	–
Later than two year but not later than three years	–	–
Later than three years	–	–
Total payments	–	5,213
Future finance charges	–	(133)
Total other borrowings	–	5,080
The present value of other borrowings is as follows:		
Within one year	–	5,080
Later than one year but not later than two years	–	–
Later than two year but not later than three years	–	–
Later than three years	–	–
Total other borrowings	–	5,080

35 Convertible bonds

On 30 November 2021, the Company issued 5-year zero coupon convertible bonds at a principal amount of HKD1,680,000,000 (the "CBs") pursuant to the relevant subscription agreement dated on 16 November 2021.

Upon the occurrence of certain events specified in the agreement, the bondholders will have the right to require the Company to redeem all or some of such holder's bonds on 30 November 2024 at their principal amount, together with unpaid default interest thereon (if any).

Bondholders may convert their CBs into ordinary shares at any time on or after 10 January 2022 up to the 10th day prior to 30 November 2026. With effect from 7 June 2022 following the payment of final dividend for the year ended 31 December 2021, the CB's conversion price has been adjusted from HKD11.78 to HKD11.49 pursuant to the terms and conditions of the CB. As at the date of approval of these financial statements, no conversion shares had been issued under the CBs.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at its principal amount, together with accrued and unpaid interest thereon, on 30 November 2026 or in certain circumstances specified in the agreement.

The convertible bonds is a compound instrument consisting of a liability component and an equity component.

There are embedded derivatives in respect of the early redemption features of the convertible bonds. Such embedded derivatives are deemed to be clearly and closely related to the host contract and therefore do not need to be separately accounted for.

As at the date of issue, the fair value of the liability component and the equity component of the convertible bond was disclosed as below:

	30 November 2021 RMB'000
Principal amount	1,374,106
Transaction cost	(18,002)
Liability component	(1,232,160)
Equity component	123,944

35 Convertible bonds *(Continued)*

Subsequent to the initial recognition, the liability component of the CB has been carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the CB was 2.9% per annum as at 31 December 2022 (31 December 2021: 2.9%). The movement of the liability component and the equity component of the CB for the year ended 31 December 2022 is set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2022	**1,234,980**	**123,944**	**1,358,924**
Interest charged	**37,716**	**–**	**37,716**
Exchange differences	**115,948**	**–**	**115,948**
As at 31 December 2022	**1,388,644**	**123,944**	**1,512,588**

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2021			
Issuance	1,232,160	123,944	1,356,104
Interest charged	3,348	–	3,348
Exchange differences	(528)	–	(528)
As at 31 December 2021	1,234,980	123,944	1,358,924

The equity component will remain in convertible bonds equity reserve until the embedded conversion option is exercised or the convertible bonds reach its maturity.

If the CBs were fully converted as at 31 December 2022, 146,214,099 ordinary shares would have been issued.

36 Equity-settled share-based transactions

(a) Share option scheme

The Company has a share option scheme ("Scheme I") which was adopted on 12 July 2006 whereby the Directors of the Company are authorised, at their discretion, to invite eligible persons to subscribe for shares of the Company. A consideration of HKD1.00 should be paid by grantee upon acceptance of the share options granted. Each option gives the holder the right to subscribe for one ordinary share in the Company at its contracted exercise price. Scheme I expired on 11 July 2016 and the Company has adopted a new share option scheme ("Scheme II") since 12 July 2016. Scheme II lasts for 10 years and as at 31 December 2022, no option under Scheme II had been granted.

(i) The terms and conditions at the date of grants are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to Directors:			
– on 28 October 2011	3,150,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	2,700,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Options granted to employees and other eligible persons:			
– on 28 October 2011	35,050,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
– on 5 June 2014	35,720,000	40% after two years, 30% after three years and 30% after four years from the date of grant	10 years commencing on the date of grant
Total share options granted	76,620,000		

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

(a) Share option scheme *(Continued)*

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

	2022		2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HKD11.24**	**31,459,000**	HKD8.26	48,634,000
Exercised during the year	**HKD11.24**	**(558,000)**	HKD2.80	(16,725,000)
Lapsed during the year	**HKD11.24**	**(960,000)**	HKD10.41	(450,000)
Outstanding at the end of the year	**HKD11.24**	**29,941,000**	HKD11.24	31,459,000
Exercisable at the end of the year		**29,941,000**		31,459,000

The options outstanding at 31 December 2022 had an exercise price of HKD11.24 (2021: HKD11.24) and a weighted average remaining contractual life of 1.427 years (2021: 2.427 years).

(iii) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

(a) Share option scheme *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

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.

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 HKD3.71 per share (the "Subscription Price").

Under the terms of the Award Scheme, upon the fulfillment of certain vesting conditions, the restricted shares shall be vested by 30%, 30% and 40% by April 2019, April 2020 and April 2021, respectively. The first two traches at 30% each had been vested in 2018 and 2019 according to schedule but the remaining 40% forfeited in 2020 as certain vesting conditions could not be met.

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

	2021
Number of awarded shares	–
Outstanding at the beginning of the year	19,036,700
Unvested and sold in the market during the year	(19,036,700)
Outstanding as at 31 December	–

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

(b) Restricted share award scheme *(Continued)*

The fair value of the restricted shares issued was assessed based on the market price of the Company's shares at the grant date. The expected dividends and time value of money for the expected dividends during the vesting period were taken into account when assessing the fair value of the awarded shares.

The weighted average fair value of restricted shares granted on 10 August 2018 was HKD6.70 per share (equivalent to approximately RMB5.67 per share).

(c) Share award scheme 2020

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

As at 31 December 2022, the trustee had accumulatively purchased 39,198,000 shares (31 December 2021: 39,198,000 shares) of the Company under the Award Scheme 2020.

On 17 November 2021, the Company granted 33,324,006 shares to selected participants. Further, during the year ended 31 December 2022, a total of 2,991,708 Grant Shares were granted to the selected participants under the Award Scheme 2020. The granted shares are held by the trustee on behalf of the selected participants until the grant shares are vested. Selected participants are entitled to the related distribution derived from the relevant granted shares during the period from the date of the issue of the grant shares to the vesting date (both dates inclusive) of such granted shares, which shall however only be vested by the relevant selected participant on the vesting date subject to fulfilment of vesting conditions.

The selected participants include certain Directors of the Company, certain members of senior management and employees of the Group who under the terms of the Award Scheme 2020 subscribed for the grant shares at HKD3.70 per share (the "Subscription Price").

Details of the Share Award Scheme 2020 at the date of grants are as follows:

Grant date	Number of granted shares	Vesting period	Exercise price
17/11/2021	33,324,006	35.8%, 32.2% and 32.0% by April 2022, April 2023 and April 2024, respectively	HKD3.70
16/5/2022	65,000	26 May 2022	HKD3.70
14/7/2022	300,000	14 July 2022	HKD3.70
7/12/2022	2,626,708	71.9% and 28.1% by April 2023 and April 2024, respectively	HKD3.70

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

(c) Share award scheme 2020 *(Continued)*

For the selected participants who do not meet the vesting conditions, the unvested grant shares remaining at the end of the Award Scheme 2020 are to be forfeited.

	2022	2021
Number of shares		
Outstanding at the beginning of the year	**33,324,006**	–
Granted during the year	**2,991,708**	33,324,006
Lapsed during the year	**(2,237,000)**	–
Vested during the year	**(12,287,002)**	–
Outstanding as at 31 December	**21,791,712**	33,324,006

The fair value of the granted restrictive 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 granted restrictive shares.

The weighted average fair value of restricted shares granted in 2021 and 2022 was HKD3.76 and HKD3.33 per share respectively (equivalent to approximately RMB3.07 and RMB2.98 per share respectively). The expenses arising from the Award Scheme 2020 recognised during the year were RMB66,897,000 (2021: RMB14,372,000).

(d) Equity incentive scheme of CIMC Safe Tech

The Board of the Company approved the adoption of a Share Award Scheme of a subsidiary, CIMC Safe Tech (or the "Safe Tech Incentive Scheme") on 27 November 2020 to recognise the past contributions and to incentivise the future contributions by the participants to the chemical and environmental business unit. Pursuant to the Safe Tech Award Scheme, equity interests in CIMC Safe Tech will be granted to the Participants through a partnership platforms (the "Partnership Platforms") by way of subscribing for new share capital in CIMC Safe Tech.

The total capital contribution made by the participants (through the Partnership Platforms) of the Safe Tech Incentive Scheme was approximately RMB139,719,000, representing 10% of the enlarged share capital of CIMC Safe Tech upon completion of the increase of the share capital pursuant to the scheme. As at 31 December 2022, the vesting conditions had not been fulfilled and the selected participants were not entitled to any distribution made by CIMC Safe Tech. The expenses from the Safe Tech Incentive Scheme recognised during the year were RMB15,604,000 (year ended 31 December 2021: RMB21,885,000).

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

(e) Equity incentive scheme of CLPT

The Board of the Company adopted the Share Incentive Scheme of a subsidiary, CLPT on 8 June 2022 to recognise the past and present contributions and to incentivise the future contributions by the participants to the Liquid Food Business Unit.

Pursuant to the scheme, equity interest in CLPT will be granted to the Participants through the Partnership Platforms by way of subscribing for new registered capital in CLPT.

The total capital contribution by the participants (through the partnership platforms) was approximately RMB82,934,000, representing 6.33% of the enlarged share capital of CLPT upon completion of the capital increase pursuant to the scheme. As at 31 December 2022, the vesting conditions are not fulfilled and the selected participants were not entitled any distribution of CLPT. The expenses from the CLPT Award Scheme recognised during the year ended 31 December 2022 were RMB22,808,000 (year ended 31 December 2021: nil).

37 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet:

	2022 RMB'000	2021 RMB'000
Current tax payable at the beginning of the year	**194,158**	131,764
Provision for income tax on profit for the year	**334,471**	331,136
Current tax paid	**(389,319)**	(276,455)
Exchange differences	**4,700**	7,713
Current tax payable at the end of the year	**144,010**	194,158

(b) Balances of deferred income tax assets and liabilities without taking into consideration the offsetting within the same tax jurisdiction are as follows:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**168,876**	137,684
Deferred tax liabilities	**(147,915)**	(117,824)
Deferred tax assets, net	**20,961**	19,860

As at 31 December 2022, the amount of RMB28,790,000 (31 December 2021: RMB21,766,000) had been offseted between deferred tax assets and deferred tax liabilities.

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

(c) Deferred tax assets and liabilities recognised:

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

	Provision for impairment losses RMB'000	Provision for product warranties RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Gains on debt restructuring RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	84,218	9,798	28,655	40,801	(113,737)	(99,671)	(20,259)	(6,363)	672	(75,886)
(Charged)/credited to the income statement	(5,202)	7,017	13,198	(40,801)	113,737	11,968	5,189	(13,957)	(1,555)	89,594
Exchange differences	–	–	–	–	–	4,982	1,211	–	(41)	6,152
At 31 December 2021	79,016	16,815	41,853	–	–	(82,721)	(13,859)	(20,320)	(924)	19,860

	Provision for impairment losses RMB'000	Provision for product warranties RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Income recognised on project engineering contract/ inventories RMB'000	Fair value adjustment of tangible and intangible assets RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	**79,016**	**16,815**	**41,853**	**–**	**(82,721)**	**(13,859)**	**(20,320)**	**(924)**	**19,860**
(Charged)/credited to the income statement	**4,590**	**(3,974)**	**18,685**	**49**	**(23,109)**	**(561)**	**705**	**7,391**	**3,776**
Exchange differences	**–**	**–**	**–**	**–**	**(2,675)**	**–**	**–**	**–**	**(2,675)**
At 31 December 2022	**83,606**	**12,841**	**60,538**	**49**	**(108,505)**	**(14,420)**	**(19,615)**	**6,467**	**20,961**

(d) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB551,836,000 (2021: RMB742,676,000) 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 RMB60,529,000, RMB50,089,000, RMB81,115,000, RMB106,243,000, RMB253,860,000 will expire in 2023, 2024, 2025, 2026, and 2027, respectively.

38 Deferred income

	2022 RMB'000	2021 RMB'000
At 1 January	**280,208**	282,018
Additions	**43,996**	11,751
Recognised in the income statement	**(23,637)**	(13,561)
At 31 December	**300,567**	280,208

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

39 Employee benefit liabilities

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

40 Capital and reserves

(a) Share capital

	2022 Number of shares	2022 RMB'000	2021 Number of shares	2021 RMB'000
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	**2,028,277,588**	**18,521**	2,027,719,588	18,516

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

	2022 Number of shares of HKD0.01 each	2022 RMB'000	2021 Number of shares of HKD0.01 each	2021 RMB'000
At 1 January	**2,027,719,588**	**18,516**	2,010,994,588	18,376
Exercise of share options (note 36(a))	**558,000**	**5**	16,725,000	140
At 31 December	**2,028,277,588**	**18,521**	2,027,719,588	18,516

40 Capital and reserves *(Continued)*

(a) Share capital *(Continued)*

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

On 20 July 2006, the Company listed its entire issued share capital by way of introduction on the Main Board of the Hong Kong Stock Exchange.

(ii) Pursuant to a special resolution passed at an extraordinary general meeting of the Company on 26 June 2009, the Company's authorised share capital was increased from HKD100,000,000 to HKD120,000,000 by the creation of 2,000,000,000 non-redeemable convertible preference shares ("Convertible Preference Shares") of HKD0.01 each.

The Convertible Preference Shares are non-redeemable by the Company. The holders of the Convertible Preference Shares ("Convertible Preference Shareholders") may request the Company to convert one Convertible Preference Share into one ordinary share during the period from the date of allotment and issue of the Convertible Preference Shares to the date the Company passes a voluntary winding up resolution or is otherwise placed into liquidation. The conversion is subject to the condition that the Convertible Preference Shareholders shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The Convertible Preference Shareholders are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. On return of capital on winding up or otherwise, the assets of the Company available for distribution shall be applied towards repayment of an amount equal to the aggregate of paid-up amounts of the Convertible Preference Shares, and the Convertible Preference Shareholders shall not have the right to participate in any remaining assets.

The Convertible Preference Shareholders shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed at a general meeting which if passed would vary, modify or abrogate the rights and privileges of the Convertible Preference Shares.

As at 31 December 2022 and 2021, no convertible preference shares of the Company had been 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.

40 Capital and reserves *(Continued)*

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

(ii) Contributed surplus

The contributed surplus of the Group includes the sum of difference between

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

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

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

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

(e) the nominal value of the share capital of Burg Service B.V. acquired at RMB1,263,000; and the aggregate cash consideration paid by the Company of RMB11,737,000 for the acquisition of Burg Service B.V. during the year ended 31 December 2015.

(iii) Capital reserve

The capital reserve of the Group includes

(a) the portion of the grant date fair value of unexercised share options and restricted award shares granted to Directors, employees and other eligible persons of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments;

(b) the capital reserve arising from the transactions with non-controlling interests (Note 46); and

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

40 Capital and reserves *(Continued)*

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

(iv) Convertible bonds reserve

The convertible bonds reserve of RMB123,944,000 arising the equity component from issue of convertible bonds (Note 35).

(v) Exchange reserve

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

(vi) General reserve fund

The Group's wholly-owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital of the respective subsidiaries. The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

The Group's subsidiary in Belgium is required to set up a legal reserve of 10% of share capital in accordance with the Belgium Law. The legal reserve is not distributable.

(vii) Other reserve

In accordance with the regulations issued by Ministry of Finance and State Administration of Work Safety of the PRC, the Company is required to establish a special reserve ("Safe Production Fund") calculated based on the revenue of sales of liquefied natural gas.

(viii) 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 2022, the Company had RMB5,524,235,000 available for distribution to equity shareholders of the Company (2021: RMB 5,477,305,000).

(ix) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group regards net debt as total debt (as defined as including the items in the table below) less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

40 Capital and reserves *(Continued)*

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

(ix) Capital management *(Continued)*

Consistent with the Group's capital management strategy in 2021, 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:

	Notes	2022 RMB'000	2021 RMB'000
Total liabilities			
Bank loans	30	**444,699**	250,235
Loans from related parties	45(d)	**167,527**	357,147
Trade and bills payables	31	**3,492,365**	3,302,768
Contract liabilities	14(d)	**3,816,213**	2,418,878
Other payables and accrued expenses	32	**2,010,982**	1,837,955
Amounts due to related parties	45(c)	**392,156**	267,238
Other borrowings	34	**–**	5,080
Warranty provision	33	**147,365**	172,122
Lease liabilities	17	**148,918**	103,814
Convertible bonds	35	**1,388,644**	1,234,980
Total debt		**12,008,869**	9,950,217
Less: Cash and cash equivalents	28	**(5,223,453)**	(3,173,351)
Net debt		**6,785,416**	6,776,866
Total equity		**9,527,507**	8,499,677
Less: Dividends paid	12	**(364,258)**	(235,891)
Adjusted capital		**9,163,249**	8,263,786
Net debt to adjusted capital ratio		**74%**	82%

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

41 Retirement benefits

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

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

42 Cash flow information

(a) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions except for the additions of the right-of-use assets described in Note 17, the share-based compensation described in Note 36 for the years ended 31 December 2022.

(b) Net debt reconciliation

This section sets out reconciliation of liabilities arising from financing activities for the period presented.

	Bank loans RMB'000	Loans from related parties RMB'000	Other borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 31 December 2020	(295,937)	(667,506)	(49,646)	(120,505)	–	(1,133,594)
Cash flows	55,170	347,002	44,700	22,573	(1,356,104)	(886,659)
Interest charge	(13,746)	(36,643)	(134)	(4,482)	(3,348)	(58,353)
Acquisition – leases	–	–	–	(5,340)	–	(5,340)
Equity recognition	–	–	–	–	123,944	123,944
Acquisition through business combination	(675)	–	–	–	–	(675)
Other charges (i)	4,953	–	–	3,940	528	9,421
Net debt as at 31 December 2021	(250,235)	(357,147)	(5,080)	(103,814)	(1,234,980)	(1,951,256)

42 Cash flow information *(Continued)*

(b) Net debt reconciliation *(Continued)*

	Bank loans RMB'000	Loans from related parties RMB'000	Other borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 31 December 2021	(250,235)	(357,147)	(5,080)	(103,814)	(1,234,980)	(1,951,256)
Cash flows	(153,702)	201,938	5,213	40,653	–	94,102
Interest charge	(23,205)	(12,318)	(133)	(3,606)	(37,716)	(76,978)
Acquisition – leases	–	–	–	(81,964)	–	(81,964)
Other charges (i)	(17,557)	–	–	(187)	(115,948)	(133,692)
Net debt as at 31 December 2022	(444,699)	(167,527)	–	(148,918)	(1,388,644)	(2,149,788)

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

43 Contingencies

(a) Guarantees

As at 31 December 2022, the Group had outstanding procurement performance guarantees issued by relevant banks totaling RMB1,257,969,000 (31 December 2021: RMB830,217,000), project execution guarantees totaling RMB497,122,000 (31 December 2021: RMB369,016,000), warranty guarantees totaling RMB152,364.000 (31 December 2021: RMB125,101,000) and miscellaneous guarantees totaling RMB12,961,000 (31 December 2021: RMB11,594,000).

44 Commitments

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

	2022 RMB'000	2021 RMB'000
Contracted for		
– Production facilities	**184,949**	49,394

(b) As at 31 December 2022 and 2021, the Group did not have any material short-term and low value lease commitments.

45 Material related party transactions

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

(a) Transactions with CIMC and its subsidiaries and associates

Nature of transactions

		2022 RMB'000	2021 RMB'000
Sales	(i)	**293,806**	317,896
Purchases	(ii)	**435,850**	419,639
Comprehensive charges	(iii)	**262**	2,707
Processing charges	(iv)	**29,011**	19,146
Processing income	(v)	**444**	280
Office services income	(vi)	**935**	1,267
Loans from related parties	(vii)	**131,900**	1,283,463
Repayment of loans from related parties	(vii)	**321,520**	1,593,822
Loan interest expenses	(vii)	**13,112**	26,005
Deposit service	(viii)	**599,653**	417,912
Interest income from deposits	(viii)	**6,070**	3,922
Subcontracting charges	(ix)	**212,135**	255,946

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

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

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

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

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

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

(vii) The loans are unsecured, interest bearing from 3.50% to 4.75% (2021: 3.80% to 4.75%) per annum and are repayable between one to two years.

(viii) Deposit service represents deposit acceptance service provided by a related party to the Group. The amount represents the maximum daily outstanding balance of the Group's deposits placed with a related party. The deposits bear interest from 0.55% to 1.85% (2021: 0.74% to 2.46%) and can be withdrawn on demand.

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

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

45 Material related party transactions *(Continued)*

(b) Remuneration for key management personnel

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 10, certain highest paid employees as disclosed in note 11 and other key management personnel is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**38,219**	38,344
Share-based compensation benefits	**51,529**	5,557
	89,748	43,901

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

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

	2022 RMB'000	2021 RMB'000
Trade receivables for products sold and other receivables (i)	**157,009**	184,098
Trade payables for raw material purchased and receipts in advance for sales (i)	**(392,156)**	(267,238)

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

45 Material related party transactions *(Continued)*

(d) Loans from related parties

	2022 RMB'000	2021 RMB'000
Loans from CIMC Finance Company Ltd. ("CIMC Finance")	**157,727**	156,940
Loan from CIMC	**9,800**	200,207

	2022 RMB'000	2021 RMB'000
Loans from related parties-Current	**135,715**	301,022
Loans from related parties-Non-current	**31,812**	56,125

(i) The loans are unsecured, interest bearing from 3.50% to 4.75% (2021: 3.80% to 4.75%) per annum and are repayable between one year to two years.

(e) Deposits placed with CIMC Finance

	2022 RMB'000	2021 RMB'000
Deposits	**572,302**	401,334

(i) The deposits bear interest and can be withdrawn on demand.

(ii) The deposits are included as part of the Group's cash and cash equivalents (note 28).

(f) Amounts due from a joint venture of the Group

	2022 RMB'000	2021 RMB'000
Loan to a joint venture	**–**	10,000

46 Non-controlling interests

The movements of non-controlling interests were as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**256,261**	191,282
Total comprehensive income for the year	**23,956**	24,811
Acquisition of subsidiaries	**–**	10,402
Capital contribution from non-controlling interests (a)	**146,030**	32,099
Dividends distribution made by subsidiaries to non-controlling interests	**(32,663)**	(2,428)
Disposal of subsidiaries	**(7,956)**	–
Equity-settled share-based transactions of subsidiaries	**112**	95
	385,740	256,261

(a) Capital contribution from non-controlling interests during the year ended 31 December 2022 mainly included the following transactions:

(i) On 29 August 2022, the Group entered into a capital injection agreement with CITIC Securities Investment Co., Ltd. (中信證券投資有限公司, "CITIC Securities"), pursuant to the which CITIC Securities agreed to inject capital of RMB50,000,000 to CLPT (an indirectly PRC subsidiary of the Company). The carrying amount of net assets attributed to CITIC Securities amounting to RMB19,551,000 was recognised as an increase in non-controlling interests. The difference between the capital injection amount and the carrying amount of net assets attributed to CITIC Securities amounting to RMB30,449,000 was recorded as an increase in reserves.

(ii) On 26 December 2022, the Group entered into a capital injection agreement with Baowu Green Carbon Private Equity Investment Fund (Shanghai) Partnership (Limited Partnership) (寶武綠碳私募投資基金(上海)合夥企業(有限合夥), "Baowu Green Carbon"), pursuant to the which Baowu Green Carbon agreed to inject capital of RMB200,000,000 to CLPT. The carrying amount of net assets attributed to Baowu Green Carbon amounting to RMB94,239,000 was recognised as an increase in non-controlling interests. The difference between the capital injection amount and the carrying amount of net assets attributed to Baowu Green Carbon amounting to RMB105,761,000 was recorded as an increase in reserves.

47 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	As at 31 December	
	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**19**	7
Investments in subsidiaries	**5,376,245**	4,642,576
Right-of-use assets	**–**	1,009
Total non-current assets	**5,376,264**	4,643,592
Current assets		
Other receivables	**3,339**	1,715
Amounts due from subsidiaries	**4,265,209**	3,548,462
Cash and cash equivalents	**3,332**	2,649
Total current assets	**4,271,880**	3,552,826
Total assets	**9,648,144**	8,196,418
LIABILITIES		
Non-current liabilities		
Bank loans	**–**	122,640
Convertible bonds	**1,388,644**	1,234,980
Total non-current liabilities	**1,388,644**	1,357,620
Current liabilities		
Bank loans	**361,774**	–
Trade and bills payables	**554**	394
Other payables and accrued expenses	**40,515**	39,901
Amounts due to subsidiaries	**1,752,779**	787,480
Current lease liabilities	**–**	1,360
Total current liabilities	**2,155,622**	829,135
Total liabilities	**3,544,266**	2,186,755
Net assets	**6,103,878**	6,009,663
EQUITY		
Share capital	**18,521**	18,516
Reserves	**6,085,357**	5,991,147
Total equity	**6,103,878**	6,009,663

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

(b) Reserve movement of the Company

	Share premium RMB'000 40(b)(i)	Shares held for share award scheme RMB'000 36(b)(c)	Contributed surplus RMB'000 40(b)(ii)	Capital reserve RMB'000 40(b)(iii)	Exchange reserve RMB'000 40(b)(v)	Convertible bond reserve RMB'000 40(b)(iv)	Retained Earnings RMB'000	Total RMB'000
At 1 January 2021	482,701	(175,364)	4,903,654	137,855	(75,061)	–	649,738	5,923,523
Total comprehensive income for the year	–	–	–	–	(173,284)	–	206,731	33,447
Issuance of shares in connection with exercise of share options (note 36(a))	48,078	–	–	(9,438)	–	–	–	38,640
Purchase of shares in connection with share award scheme (note 36(c))	–	(9,670)	–	–	–	–	–	(9,670)
Disposal of shares held for share award scheme (note 36(b))	42,872	59,910	–	–	–	–	–	102,782
Issuance of convertible bonds (note 35)	–	–	–	–	–	123,944	–	123,944
Lapse of share options (note 36(a))	–	–	–	(380)	–	–	380	–
Equity-settled share-based transactions (note 36(c))	–	–	–	14,372	–	–	–	14,372
2020 final dividends paid	–	–	–	–	–	–	(235,891)	(235,891)
At 31 December 2021 and 1 January 2022	**573,651**	**(125,124)**	**4,903,654**	**142,409**	**(248,345)**	**123,944**	**620,958**	**5,991,147**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**432,651**	**–**	**(84,162)**	**348,489**
Issuance of shares in connection with exercise of share options (note 36(a))	**7,574**	**–**	**–**	**(2,215)**	**–**	**–**	**–**	**5,359**
Disposal of shares held for share award scheme (note 36(b))	**39,355**	**36,765**	**–**	**(38,397)**	**–**	**–**	**–**	**37,723**
Lapse of share options (note 36(a))	**–**	**–**	**–**	**(3,844)**	**–**	**–**	**3,844**	**–**
Equity-settled share-based transactions (note 36(c))	**–**	**–**	**–**	**66,897**	**–**	**–**	**–**	**66,897**
2021 final dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(364,258)**	**(364,258)**
At 31 December 2022	**620,580**	**(88,359)**	**4,903,654**	**164,850**	**184,306**	**123,944**	**176,382**	**6,085,357**

48 Immediate and ultimate controlling party

At 31 December 2022 and 2021, the immediate parent of the Company is China International Marine Containers (Hong Kong) Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

At 31 December 2022 and 2021, the Directors consider the ultimate controlling party of the Company to be CIMC, which is established in the PRC and the address of its principal place of business is CIMC R&D Center, No. 2, Gangwan Avenue, Shekou Industrial Park, Nanshan District, Shenzhen, Guangdong Province. This entity produces financial statements available for public use.

Directors

Non-executive Directors

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

Executive Director

Yang Xiaohu *(President)*

Independent Non-executive Directors

Yien Yu Yu, Catherine
Tsui Kei Pang
Wang Caiyong
Yang Lei (appointed as independent non-executive Director on 30 September 2022)
Zhang Xueqian (appointment as independent non-executive Director expired on 30 September 2022)

Company Secretary

Zhong Yingxin

Audit Committee

Yien Yu Yu, Catherine* *CFA*
Tsui Kei Pang
Wang Caiyong
Yang Lei

Remuneration Committee

Tsui Kei Pang*
Zeng Han
Yang Lei

Nomination Committee

Gao Xiang*
Wang Caiyong
Yang Lei

Sustainable Committee

Gao Xiang*
Yang Xiaohu
Yu Yuqun

* *chairman/chairperson of the relevant Board committees*

Authorised Representatives

Gao Xiang
Zhong Yingxin

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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Principal Bankers

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

Principal Share Registrar and Transfer Agent

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Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
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Camana Bay
Grand Cayman, KY1–1100
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

17 May 2023

Closure of Register of Members for the 2022 Final Dividend

29 May 2023 to 2 June 2023 (both days inclusive)

Payment of 2022 Final Dividend

On or about 28 June 2023

Stock Code

3899

Company Website

www.enricgroup.com

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