

CIMC

中国远洋海运集团 (000039) 有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)



A Share Stock Code: 000039 | H Share Stock Code: 2039



This Report contains certain forward-looking statements with respect to the financial position, operational results and business of the Group. These forward-looking statements are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances which may occur in the future and are beyond our control. Therefore, the forward-looking statements reflect the Group's current views with respect of future events and are not a guarantee of future performance. Actual results may differ from the information contained in such forward-looking statements.



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The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally take legal responsibility.

The 2017 annual report (this "Report") has been reviewed and approved at the 6th meeting of the 8th session of the Board in 2018. All Directors have attended the Board meeting to review and approve this Report, among which Director Liu Chong participated in the meeting by way of voting via correspondence. All Directors warrant, and there is no dissenting opinion as to, the truthfulness, accuracy and completeness of this Report.

The proposed profit distribution plan of the Company for 2017 as considered and approved by the Board is based on the total share capital of the Company as at the record date of dividend payment for 2017, a cash dividend of RMB2.70 (tax inclusive) per 10 shares will be distributed to all Shareholders; no bonus share will be issued and no share will be converted from reserves into share capital. The proposed dividend is expected to be payable on or around 20 July 2018. The annual dividend distribution proposal for 2017 shall be submitted to the Company's general meeting for consideration and approval.

Mr. Wang Hong, person-in-charge of the Company and chairman of the Board, Mr. Mai Boliang, CEO and president, and Mr. Zeng Han, general manager of the

financial management department, person-in-charge of accounting affairs and head of the accounting department (the financial controller), hereby warrant the truthfulness, accuracy and completeness of the financial statements contained in this Report.

No substantial Shareholder of the Company utilised the funds of the Company for non-operating purposes during the Reporting Period.

The financial statements of the Company and its subsidiaries have been prepared in accordance with the CASBE. The financial statements of the Group for 2017 prepared in accordance with CASBE have been audited by PricewaterhouseCoopers Zhong Tian LLP, who has issued an audit report with unqualified opinions on the financial statements.

This Report contains forward-looking statements in relation to subjects such as future plans, which do not constitute any specific undertakings to investors by the Company. Investors should be aware of investment risks.

This Report has been published in both Chinese and English. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

For the purpose of this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Items	Definitions
"A Share(s)" (or "RMB-denominated Ordinary Share(s)")	domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Shenzhen Stock Exchange and traded in Renminbi.
"A Share(s) Share Option Incentive Scheme"	share option incentive scheme of China International Marine Containers (Group) Co., Ltd. considered and approved at the extraordinary general meeting of the Company on 17 September 2010.
"Articles of Association"	"The Articles of China International Marine Containers (Group) Co., Ltd."
"Board"	the Board of the Company.
"C&C Trucks"	C&C Trucks Co., Ltd. (集瑞聯合重工有限公司), a company incorporated in the PRC with limited liability in 2009 and a non-wholly-owned subsidiary of the Company.
"CASBE"	Accounting Standards for Business Enterprises – Basic Standard and 38 Specific Accounting Standards issued by the Ministry of Finance of the PRC, and application guidance and interpretations to CASBE and other related regulations.
"CFE"	China Fire Safety Enterprise Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 445).
"CIMC" or "Company"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares of which are listed on the Shenzhen Stock Exchange and the H Shares of which are listed on the main board of the Hong Kong Stock Exchange.
"CIMC Enric"	CIMC Enric Holdings Limited (中集安瑞科控股有限公司), a company incorporated in the Cayman Islands with limited liability in 2004, the shares of which are listed on the main board of the Hong Kong Stock Exchange (Hong Kong stock code: 3899) and a non-wholly-owned subsidiary of the Company.
"CIMC Finance Company"	CIMC Finance Co., Ltd., a company incorporated in the PRC in 2010 and a wholly-owned subsidiary of the Company.
"CIMC Financial Leasing Company"	CIMC Financial Leasing Co., Ltd., a company incorporated in the PRC in 2007 and a wholly-owned subsidiary of the Company.

"CIMC HK"

China International Marine Containers (Hong Kong) Limited (中國國際海運集裝箱(香港)有限公司), a company incorporated in Hong Kong in 1992 and a wholly-owned subsidiary of the Company.

"CIMC Investment"

Shenzhen CIMC Investment Co., Ltd * (深圳市中集投資有限公司), a company incorporated in the PRC in 2011 and a wholly-owned subsidiary of the Company.

"CIMC Modular"

CIMC Modular Building Investment Company Limited (中集模組化建築投資有限公司), a company incorporated in the PRC in 2013 and a wholly-owned subsidiary of the Company.

"CIMC Offshore"

CIMC Offshore Holdings Limited, a company incorporated in Hong Kong in 2009, and a wholly-owned subsidiary of the Company.

"CIMC Offshore Engineering"

CIMC Offshore Engineering Co., Ltd., a company incorporated in the PRC in 2016 and a wholly-owned subsidiary of the Company.

"CIMC Qianhai Leasing"

CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd., a company incorporated in the PRC in 2014 and a wholly-owned subsidiary of the Company.

"CIMC Raffles"

CIMC Raffles Offshore (Singapore) Limited, a company incorporated in Singapore in 1994 and a wholly-owned subsidiary of the Company.

"CIMC Skyspace Real Estate"

Shenzhen CIMC Skyspace Real Estate Development Co., Ltd, a company incorporated in the PRC in 1998 and a non-wholly-owned subsidiary of the Company.

"Shareholder(s)"	the holder(s) of A share(s) and H share(s) of the Company.
"Shenzhen Listing Rules"	Rules Governing the Listing of Securities on the Shenzhen Stock Exchange.
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange.
"Supervisor(s)"	the supervisor(s) of the Company.
"Supervisory Committee"	the Supervisory Committee of the Company.
"SESKYC"	Shenzhen Sky Capital Co., Ltd. (深圳天億投資有限公司), a company incorporated in the PRC in 2011 and a wholly-owned subsidiary of the Company.
"US\$" or "U.S. dollars"	United States dollars, the lawful currency of the United States of America.
"Ziegler"	Albert Ziegler GmbH, a company incorporated in Germany and a non-wholly-owned subsidiary of the Company.
"%"	percentage.

ONE Model

Optimization Never Ending, the lean management system of the Group.

QHSE

A management system that guides and controls an organisation in respect of Quality, Health, Safety and Environmental aspects.

Semi-submersible Drilling Platform

A semi-submersible drilling platform is a mobile oil rig; the upper part of the hull structure is the working deck and the lower part comprises two lower hulls, with the parts connected by support columns. When in operation, the lower hulls are submerged into the water. A semi-submersible platform is generally used in deep seas with water depths ranging from 600-3,600m. The platform typically uses a dynamic positioning system for positioning.

TEU

Twenty-foot equivalent unit, also known as a standard unit (a container with a length of 20 feet, a height of 8 feet and 6 inches and a width of 8 feet), being used to measure the volume of a container.

Chapter I

The Company was incorporated in Shenzhen, Guangdong Province, the PRC under the PRC Company Law on 14 January 1980 and was named as “China International Marine Containers Co., Ltd.” (中國國際海運集裝箱股份有限公司) upon incorporation. After being restructured as a joint stock limited company in December 1992, and publicly offered A shares and B shares which were listed on the Shenzhen Stock Exchange in 1994, the Company changed its name to “China International Marine Containers (Group) Co., Ltd.” (中國國際海運集裝箱(集團)股份有限公司) in 1995. The A shares of the Company were listed on the Shenzhen Stock Exchange on 8 April 1994 and its H shares were listed by introduction on the main board of the Hong Kong Stock Exchange on 19 December 2012. The Company is the first enterprise in China with its B shares converted into H shares listed on the main board of the Hong Kong Stock Exchange.

The Group is a world leading equipment and solution provider in the logistics and energy industries and is principally engaged in the manufacture of containers, road transportation vehicles, energy, chemical and liquid food equipment, offshore engineering equipment and airport facilities equipment as well as the provision of relevant services, including the design and manufacture of international standard dry containers, reefer containers, regional special containers, tank containers, road tank trucks, natural gas equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels, passenger boarding bridges, air cargo handling systems, ground vehicles with specific purpose and automatic parking system and the provision of relevant services. In addition, the Group is also engaged in logistics service, real estate development, finance and other businesses. Through business expansion and technology development, we have formed an industry cluster focusing on key equipment and solutions provided for the logistics and energy industries.

Legal Name in Chinese:	中國國際海運集裝箱(集團)股份有限公司
Abbreviated Chinese Name:	中集集團
Company Name in English:	China International Marine Containers (Group) Co., Ltd.
Abbreviated English Name:	CIMC
Legal Representative:	Wang Hong
Authorised Representatives:	Mai Boliang, Yu Yuqun
Registered Address and Address of Head Office:	8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC
Postal Code:	518067
Principal Place of Business in Hong Kong:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
Company Website:	http://www.cimc.com
Email Address:	shareholder@cimc.com

GENERAL INFORMATION

Secretary to the Board, Company Secretary:	Yu Yuqun
Contact Address:	CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC (Postal code: 518067)
Contact Telephone:	(86 755)2669 1130
Facsimile:	(86 755)2682 6579
Email Address:	shareholder@cimc.com
Representative of Securities Affairs:	Wang Xinjiu
Contact Address:	CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC (Postal code: 518067)
Contact Telephone:	(86 755) 2680 2706
Facsimile:	(86 755) 2682 6579
Email Address:	shareholder@cimc.com
Assistant Company Secretary:	Shen Yang
Contact Address:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
Contact Telephone:	(852) 2232 7318
Facsimile:	(852) 2805 1835
Email Address:	shareholder@cimc.com

REGISTRATION INFORMATION

Uniform social credit code:	91440300618869509J
First Registration Date of the Company:	14 January 1980
First Registration Place of the Company:	Shenzhen Administration of Industry and Commerce
Registration at the End of the Reporting Period:	Same as the above
Change of the Controlling Shareholder:	No controlling Shareholder

DISCLOSURE INFORMATION

Designated Newspapers for Information Disclosure:	A Shares: "China Securities Journal", "Securities Times", and "Shanghai Securities News"
Authorised Websites on which this Report is Made Available:	A Shares: www.cninfo.com.cn H Shares: www.hkexnews.hk www.cimc.com
Legal Website:	www.cimc.com
Places at which this Report is Available:	Office of the Secretary to the Board of the Company, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC (Postal code: 518067)

Stock Exchange on which A Shares are Listed:	Shenzhen Stock Exchange
Abbreviated Stock Name for A Shares:	CIMC
Stock Code:	000039
Stock Exchange on which H Shares are Listed:	Hong Kong Stock Exchange
Abbreviated Stock Name for H Shares:	CIMC, ZJHD (Note)
Stock Code:	02039, 299901 (Note)

Note: Both the abbreviated stock name and the stock code were only used by the original B Shareholders of the Company in the PRC in respect of their trading of H Shares of the Company after H Shares of the Company were listed on the Hong Kong Stock Exchange.

Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Hong Kong Lawyers:	Paul Hastings 21-22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
PRC Lawyers:	Commerce & Finance Law Offices 6/F, NCI Tower, A12 Jianguomenwai Avenue, Beijing, PRC
Auditors:	PricewaterhouseCoopers Zhong Tian LLP 11th Floor, PricewaterhouseCoopers Centre, 2 Link Square, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
The Certified Public Accountants as the Signatories:	Zhou Weiran, Cai Zhifeng

Chapter II

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

Yes No

Unit: RMB thousand

	2017	2016	Changes from the previous year to this year	2015 (Restated)
Revenue	76,299,930	51,111,652	49.28%	58,685,804
Net profit attributable to Shareholders and other equity holders of the Company	2,509,242	539,660	364.97%	2,026,613
Net profit attributable to Shareholders and other equity holders of the Company after deducting non-recurring profit or loss	1,367,068	511,420	167.31%	1,751,645
Net cash flows from operating activities	4,275,379	2,341,619	82.58%	(3,610,223)
Basic earnings per share (RMB/share)	0.81	0.14	478.57%	0.74
Diluted earnings per share (RMB/share)	0.81	0.14	478.57%	0.73
Weighted average return on net assets	8%	2%	6%	8%

	As at the end of 2017	As at the end of 2016	Changes from the end of the previous year to the end of this year	As at the end of 2015 (Restated)
Total assets	130,604,379	124,614,748	4.81%	107,057,065
Net assets attributable to Shareholders and other equity holders of the Company	32,460,927	29,285,970	10.84%	28,687,635

Whether there are corporate bonds

Yes No

Unit: RMB thousand

Income statement items	For the year ended 31 December					
	2017	2016	(Changes) from the previous year to this year	2015 (Restated)	2014	2013
Revenue	76,299,930	51,111,652	49.28%	58,685,804	70,070,855	57,874,411
Operating profit	4,171,685	1,202,884	246.81%	3,039,854	3,297,874	3,370,835
Profit before income tax expense	4,409,241	1,702,051	159.05%	3,302,470	3,570,416	3,562,720
Income tax expense	1,250,826	967,068	29.34%	951,825	536,488	928,222
Profit for the year	3,158,415	734,983	329.73%	2,350,645	3,033,928	2,634,498
Including:						
Net profit attributable to Shareholders and other equity holders of the Company	2,509,242	539,660	364.97%	2,026,613	2,477,802	2,180,321
Profit or loss attributable to minority Shareholders	649,173	195,323	232.36%	324,032	556,126	454,177
Net profit attributable to Shareholders and other equity holders of the Company after deducting non-recurring profit or loss	1,367,068	511,420	167.31%	1,751,645	2,142,682	1,343,090

Unit: RMB thousand

Unit: RMB thousand

Cash flow items	For the year ended 31 December					
	2017	2016	(Changes) from the previous year to this year	2015	2014	2013
Net cash flows from operating activities	4,275,379	2,341,619	82.58%	(3,610,223)	6,434,477	2,749,926
Net cash flows from investing activities	(1,580,105)	(6,854,655)	76.95%	(12,584,781)	(11,553,782)	(6,504,459)
Net cash flows from financing activities	(3,537,153)	7,511,046	(147.09%)	16,505,663	3,940,986	3,632,937

Key financial indicators	2017	2016	Changes from the previous year to this year (%)	2015	2014	2013
				(Restated)		
Basic earnings per share attributable to Shareholders of the Company (RMB/share)	0.81	0.14	478.57%	0.74	0.93	0.82
Diluted earnings per share attributable to Shareholders of the Company (RMB/share)	0.81	0.14	478.57%	0.73	0.92	0.81
Net cash flows from operating activities per share (RMB/share)	1.43	0.79	81.01%	(1.21)	2.41	1.03
Net assets per share attributable to Shareholders and other equity holders of the Company (RMB/share) (Total shares based on ordinary shares outstanding at the end of the year)	10.88	9.83	10.68%	9.63	8.34	7.77
Weighted average return on net assets (%)	8%	2%	6%	8%	12%	11%
Weighted average return on net assets after deducting non-recurring profit or loss (%)	4%	1%	3%	7%	10%	7%

Annual Report 2017

Unit: RMB thousand

	2017			
	The first quarter	The second quarter	The third quarter	The fourth quarter
Revenue	14,675,987	18,711,165	20,575,554	22,337,224
Net profit attributable to Shareholders and other equity holders of the Company	509,681	287,217	512,482	1,199,862
Net profit attributable to Shareholders and other equity holders of the Company after deducting non-recurring profit or loss	452,699	412,384	519,601	(17,616)
Net cash flows from operating activities	95,458	(763,674)	4,300,859	642,736

Significant differences exist between the above financial indicators or their sums and the related financial indicators in the quarter reports and semi-annual reports disclosed by the Company

Yes No

Annual Report 2017

Unit: RMB thousand

Items	2017	2016 (Restated)	2015
Gains/(loss) on disposal of non-current assets	15,635	264,552	(17,588)
Government grants recognised in profit or loss for the current period	472,626	497,336	298,893
Gains or losses from changes in fair value arising from holding financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, and investment gains arising from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets, and gains or losses from changes in fair values of investment properties subsequently measured at fair value, except for the effective hedging activities relating to the Group's ordinary activities	125,295	399,704	122,659
Net gains from disposal of long-term equity investments	458,808	361,353	3,333
Reversal accounts receivable provided for bad debts on an individual basis	–	–	12,461
Other non-operating income and expenses other than the above items	335,255	139,625	(18,689)
Other profit/loss items defined as non-recurring profit/loss items	143,549	(1,362,915)	18,330
Effect of income tax	(326,880)	(422,180)	(101,996)
Effect of minority interests (after tax)	(82,114)	150,765	(42,435)
Total	1,142,174	28,240	274,968

Reasons and explanations on the Company's non-recurring profit or loss items as defined under the Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profit or Loss (the "Explanatory Announcement No. 1") and the recurring profit or loss items which are listed as non-recurring profit or loss items under the requirements of the Explanatory Announcement No. 1.

Applicable ✓ Not Applicable

The Company did not define the non-recurring profit or loss items as defined and listed under the Explanatory Announcement No. 1 as recurring profit or loss items during the Reporting Period.

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Unit: RMB thousand

| | Balance at beginning of the Year | Profit or loss arising from changes in fair value for the Year | Cumulative changes in fair value recognised in equity | Impairment provisions accrued for the Year | Balance at end of the Year |
|--|----------------------------------|--|---|--|----------------------------|
| Financial assets: | | | | | |
| 1. Financial assets at fair value through profit or loss in the Reporting Period (excluding derivative financial assets) | 138,072 | 56,175 | — | — | 183,303 |
| 2. Derivative financial assets | 326,969 | 20,202 | — | — | 328,751 |
| 3. Hedging instruments | 1,306 | — | 3,734 | — | 1,360 |
| 4. Available-for-sale financial assets | 33,244 | — | (2,776) | — | 440,656 |
| Sub-total of financial assets | 499,591 | 76,377 | 958 | — | 954,070 |
| Investment properties | 1,752,608 | 5,344 | 446,976 | — | 1,679,189 |
| Total | 2,252,199 | 81,721 | 447,934 | — | 2,633,259 |
| Financial liabilities | (203,041) | 29,595 | — | — | (40,832) |
| Total | 2,049,158 | 111,316 | 447,934 | — | 2,592,427 |

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- Differences in net profits and net assets prepared under International Accounting Standards and CASBE
Applicable Not Applicable
- Differences in net profits and net assets prepared under foreign accounting standards and CASBE
Applicable Not Applicable
- Reason for differences in accounting data under domestic and foreign accounting standards
Applicable Not Applicable

Chapter III

Dear Shareholders,
I am pleased to submit to you the annual report of the Group for the year ended 31 December 2017, and would like to express my sincere gratitude for your long-term support on behalf of the Board.



In 2017, global economy improved rapidly, international trade and industrial production resumed growth with an increase of 3.8%. The economic trend in developed economies such as the United States, Japan, etc., was overall positive, and the economy in major emerging markets and developing economies rose steadily. During the year, international oil prices ascended after suppression and rose steadily in the third quarter, and the prices for other major commodities also rebounded. In 2017, China continued to deepen its supply-side structural reform, strengthened its financial regulations and the national economy continued to stabilise positively and operated smoothly, achieving an exhilarating annual GDP growth rate of 6.9%.

Benefiting from the recovery in the global and domestic economy, the Group's major business segments achieved favourable results during the Reporting Period, with their annual revenue and profit increasing as compared with the same period of the previous year. The Group persisted its strategic positioning of "Manufacturing + Service + Finance", and strived to capture the opportunities brought by market changes by means of vigorously advancing strategic upgrade and business transformation, adjustment to the production capacity allocation, innovation in technologies and business models and management of operational compliance risk. The Group expanded its coverage on emerging industries and innovation business, realised quality growth in sustainable production and operation, achieved fruitful operating results, while vigorously performing its corporate social responsibilities. Details are given as follows:



A T

In 2017, the Group's revenue amounted to RMB76.300 billion (2016: RMB51.112 billion), representing a year-on-year increase of 49.28%; the net profit attributable to Shareholders and other equity holders of the Company amounted to RMB2.509 billion (2016: RMB0.540 billion), representing a year-on-year increase of 364.97%; and the basic earnings per share amounted to RMB0.81 (2016: RMB0.14), representing a year-on-year increase of 478.57%.

T

In 2017, in the face of the recovery trend in the global and domestic economy, the principal business segments of the Group seized opportunities, took initiative and made significant breakthrough in such areas as business integration, structural adjustment, technological upgrade, global market penetration and introduction of external funds:

During the Reporting Period, benefiting from the continued recovery trend in global economy and the lower base in 2016, the Group's container manufacturing business had a significant year-on-year increase in the number of orders. Revenue and net profit have both shown significant growth. In 2017, in support of the state's environmental laws and regulations and the implementation of action plans, the Group's container manufacturing business has actively carried out environmental transformation and upgrade, with environmental technology and materials including water-based paint, solvent recovery and environmentally-friendly floors receiving continued application and promotion, and has gradually terminated the use of oil-based paint and materialised a complete change from oil-based paint to water-based paint in container production as well as a large-scale environmental upgrade in container plants, setting a good example across the container industry. At the same time, each investment proceeded smoothly as planned and significant progress in propelling initiatives in respect of making optimisation adjustments to production capacity structure and asset structure was achieved.

During the Reporting Period, the Group's road transportation vehicle business continued to improve its global business plan, while optimising existing business and seizing business growth opportunities. Amid external adverse conditions of product demand decline in the European Market, the segment managed to enhance profits from existing business and vigorously promoted corporate transformation and upgrade through technological advancement, which laid a solid foundation for the sustainable development of the global semi-trailer operation of CIMC Vehicle (Group). In respect of the overseas market, with the decline in business for van trucks and refrigeration trucks in the North American market, through the comprehensive application of the demonstrative Dongguan manufacturing management system in the North American plant, through the application of the demonstrative advanced manufacturing and digital manufacturing technology adopted in the Dongguan plant, improvement in efficiency, quality and product profitability, the Group's road transportation vehicle business realized steady profits for the North American market. Through pursuing selected market segments and offering niche products and seizing the opportunities arising from the building product boom in Vietnam, emerging markets recorded a rebound in results. Amidst the reshaping of the Australian market, and after reorganization, MLI (Marshall Lethlean Industries Pty. Ltd) focused on the primary business of tank trucks and recorded a drastic reduction of losses from the previous year. The European market continued to maintain steady business development in SDC (SDC Trailers Limited) and business growth in LAG (Lag Trailers NV Bree), and focused on rapid assembly of core products to achieve a successful transformation, thus strengthening profitability and achieving sustainable development. The Group recorded semi-trailer sales of 66,000 units domestically. Sales and profits increased significantly with a general recovery for building type products. Primary truck types such as ordinary dump trucks, concrete mixer trucks and granule tank trucks have all recorded rapid growth. In 2017, CIMC Vehicle produced more than 120,000 semi-trailers, ranking No. 1 globally in terms of output and sales of semi-trailers. Products including skeletal trailers, tank trucks, etc. continued to maintain leading global position.

In 2017, as international oil prices recovered, and using natural gas as an alternative fuel to replace oil regained its attraction, the market demand for natural gas storage and transport equipment gradually recovered. During the Reporting Period, the principal business of the energy, chemical and liquid food equipment business of the Group remained basically stable. On 15 August 2017, CIMC Enric, as the restructuring investor, completed the acquisition of the entire equity interests of SinoPacific Offshore & Engineering Co., Ltd. ("SOE") and changed its name to "Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (南通中集太平洋海洋工程有限公司)". Not only is SOE a global leader of the small- and medium-sized liquefied gas vessels market segment, it is also a pioneer in the domestic offshore engineering and construction industry, ranking high in the global market share. The acquisition of SOE will fulfill the equipment and engineering service capabilities of CIMC Enric's entire natural gas industry chain and allows it to accomplish its strategic deployment both on land and at sea, thereby completing an integrated land and marine value chain of natural gas purification, liquefaction, storage and transport equipment.

In 2017, the global offshore engineering market environment remained austere in spite of rebound in oil prices, the market demand for offshore engineering equipment was very weak. The Group's offshore engineering business focused on strategic products and proactively explored market potential, leveraged on its advantage to design and build its own platform, extending its business horizontally and vertically in the offshore engineering equipment sector. In respect of the construction and delivery of platforms, "Blue Whale No. 1" successfully completed the national-level lease for drilling combustible ice in the South China Sea. Other projects under construction were basically near completion or under repairs and maintenance. This year, 2 platform-based projects and 9 projects of theme yacht and marine ranching platforms have completed construction and delivery. In respect of new orders, through the development of differentiated products and services, the adverse impacts caused by a downturn in the industry were mitigated. In respect of R&D capabilities, currently, the technical reserve for the 7th-Generation Ultra-deepwater Platform, the BT5000 Economical Mid-deepwater Platform, the FPSO, the cruise ships, and the development equipment and dismantling equipment for offshore oil fields have been completed.

During the Reporting Period, the logistics service business of the Group adhered to the development concept of "equipment changes logistics", advancing its strategic focus, enhancing network deployment, and concentrating on five major business directions, namely container service, marine transport service and project logistics, multimodal transport, equipment logistics and contract logistics. The domestic railroad cold chain transport had made a successful breakthrough by opening and operating the China-Europe, China-Asia Railroad Express in the Eastern China region. During the year, the Group attained the qualification of "freight broker". Progress has been made for its "Belt and Road" layout in Africa. Logistics Equipment has entered new business territories such as ship paints.

During the Reporting Period, benefiting from the Ministry of Transport's policies on "Administrative Rules on Highway Driving of Overloading Vehicles" (超限運輸車輛行駛公路管理規定) (commonly referred to as "921" new policies), the domestic heavy truck industry experienced exponential growth. The heavy truck business of the Group continued to focus on market demand and main products in the region. While improving its standard and mature products, it also refined its product offerings, launched E-series mid-level tractor products, deployed a series of trucks and developed products for the vehicle transport market, leading to a significant decrease in operating loss. The heavy truck business achieved material breakthrough in its domestic development, and launched a self-developed electronic truck for which is currently actively applying for new energy vehicle qualification licenses. In respect of the international market, C&C Trucks developed a new business model for delivering full truckload and spare parts and the first batch of spare part products have been delivered. C&C Trucks turned around the past strategy of a single marketing channel and has laid a solid foundation for the development of international businesses in 2018.

During the Reporting Period, the Group's airport facilities business recorded a satisfactory growth in both revenue and profit. Its boarding bridge business led the industry with a continued tender success rate level of over 95% for the domestic projects it bid for during the year. Market shares of the airport shuttle bus and food vehicle business grew steadily. Operational capability of the automated logistics system business continued to



In 2017, the Group continued to advance its business transformation and upgrade and transformation of its management model. With “Manufacturing + Service + Finance” as its strategic positioning, the Group has formed an industry structure spanning the two major areas, i.e. logistics and energy, and determined the main business sectors with established industry-leading advantages and good development prospects while exploring and deploying in the emerging industries which will help us to exert our advantages. It possessed the core and professional management team able to undertake the strategic management and business operation of various business sectors. During the Reporting Period, a number of upgrades were made to manufacturing operations. For example, “龍騰計劃” was implemented to promote automation in the container business segment. CIMC Vehicle (Group) started the construction of the demonstrative Zhumadian Plant and Yangzhou Plant where trailers will be produced by applying modularized, digitalized, automated and smart manufacturing. Automated logistics operation continued to be proceeded in the airport business segment. Responding to the central government’s call for mass entrepreneurship and innovation, the Group, taking into account its own strengths, and carried out “雙創項目”, explored and proceeded to build platforms for mass entrepreneurship and innovation by the end of 2017. The task is to identify and to develop a group of new businesses as well as to develop and to foster a group of new entrepreneurs. It serves as a tipping point for the transformation and upgrade of CIMC by helping to bring in new models and new businesses that may direct the Group’s future development, besides contributing to high-quality growth of the Group. At the same time, informatization was upgraded and remodeled through executing the ERP information system project; group-wide digitalization has been pressed further ahead; a new focus has been set on management upgrade and innovative development; supports have been provided for the upgrade of manufacturing operation and integration of informatization and intelligentization, which in turn helped to enhance operating and management capability and create new values.

In respect of management model, the Group has made adjustments to the level-based 5S Management System and strengthened the evaluation and appraisal of the mechanisms and processes such as strategic planning, management reporting, operating results, and internal control audit, thus ensuring the effective progress of the Group’s overall strategy. In respect of management of refined manufacturing capabilities, the Group’s refined ONE Model of “continuous improvement, relentless determination” continued to extend to both ends of the value chain from the manufacturing site, with a focus on the improvement on comprehensive criteria, i.e., delivery cycle, inventory and efficiency. In respect of advancing of the diversified ownership reform, the Group completed the additional H Share issue at the end of 2015 and key management and employees participated in subscription, through which the long-term interests binding mechanism was realised, resulting in further implementation of our culture of “people-oriented and mutual business”, laying a solid foundation for the Group’s long-term development. As regards internal institutional reform, changes have been made to some systems. For instance, our procurement department has turned into a sharing centre and internal investment management has been strengthened. Also, decision making ability and speed have been improved due to efficient and effective running of the Group’s capital management committee.

The year 2017 is the second year for China’s 13th Five-Year Planning. The Group responded actively to the state strategies of the “Belt and Road” and “Made in China 2025 Planning”, and conducted research and exploration on various areas including intelligent manufacturing, Industry 4.0 and logistics equipment automatic processing system. The Group’s achievements in the development of globalisation and the concept of “the world’s local CIMC (全球營運、地方智慧)” also met with recognition of the market and investors. The Group developed a wide range of financing channels in a bid to improve the liquidity of assets. For example, Skyspace Real Estate introduced Country Garden as investor and the airport business was injected into CFE. During the year, the Group entered into strategic cooperation with distinguished enterprises such as Baowu Steel, Sinopec, Hilton Hotel group, ProLogis, Country Garden, Gree, Zhuhai Yinlong, SAP, CNOOC, China Construction Steel Structure and Tianan Cyber Park, introducing national industrial funds and social capital to enhance its capital strength, laying a solid foundation for the Group’s growth with better quality in the future.

Corporate Governance

In 2017, the Company proactively completed the events such as various governance inspection and system construction on schedule and continued to establish and optimise its risk management structure while enhancing its corporate governance system and improving its standardised operation in compliance with the requirements of laws and regulations, including the PRC Company Law, PRC Securities Law, Corporate Governance Guidelines for Listed Companies, as well as the standards for the corporate governance of listed companies by CSRC Shenzhen Bureau, Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Besides ensuring sound internal development, the Company's internal control function helps the fulfilment of social responsibilities. In November 2017, as a drafting committee member of the ISO 37001: Anti-bribery Management Systems, the Company was invited to participate in the Global Compliance & Anti-Corruption Summit. CIMC Tianda, our subsidiary, was the first company in China being awarded the ISO 37001: Anti-bribery Management Systems certificate.

Environmental, Social and Governance

In 2017, responding to the national government advocacy and following the vision and strategy of corporate social responsibility, and upholding the sustainable development featuring safety, environmental protection and green concepts, the Group has taken sustained and effective measures and actions, and assumed more social responsibilities. Also, the Group tightened the HSE regulatory management, published a social responsibility report and its first Environmental, Social and Governance Report, striving to become an eco-enterprise capable of coordinating all stakeholders for a balanced development. We have achieved improvements and progress in science development, new industrialisation, fair operations, environmental conservation, production safety, rights and interests of customers and consumers, win-win cooperation, employee relations and community involvement and development.

Dividend Distribution

Based on the Group's 2017 operating results and taking into full account the Group's overall financial position, the Board recommended a final dividend of RMB0.27 per share (including applicable taxes) for the year of 2017. The proposed dividend is expected to be payable on or around 20 July 2018. The annual dividend distribution plan for 2017 shall be submitted to the Company's Shareholders' meeting for consideration.

Outlook

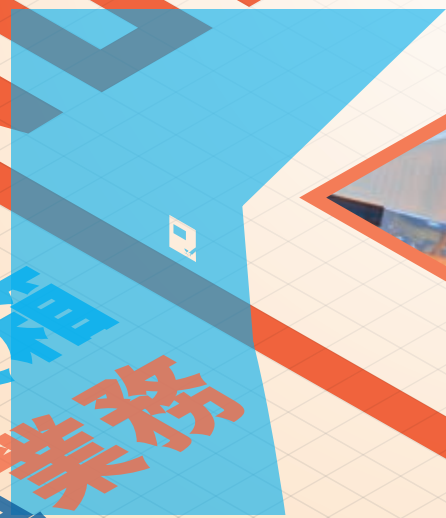
Looking ahead to 2018, the global economy is likely to maintain its growth momentum as the U.S. Dollars enters the era of rising interest rates and the economies of Europe and Japan continue to improve. The Chinese economy will continue to deepen its structural reform, increase growth quality and efficiency as well as maintain steady growth. However, with the US tax reforms, interest rate hikes and the tightening of monetary quantitative easing by the European Central Bank as well as a new emerging awareness of trade protectionism, the global environment for development will be more complex and volatile while economic growth faces more uncertainties with further increasing risks.

In 2017, the operating condition of the global shipping industry witnessed a notable improvement following self-adjustment; the trade volume of container transport took a rebound. According to the latest prediction made by CLARKSON (a globally leading analyst), the growth of global container trade reached 5.0% in 2017 and will continue to grow at this rate in 2018, which will favour the Group's container manufacturing business. As the European and U.S. economies managed to sustain recovery, the commodities markets worldwide are recovering gradually. Along with the better demand for resources and increasing governmental infrastructure projects, the market is expected to improve. The "Thirteenth Five Year Plan" on Energy Development (《能源發展"十三五"規劃》) issued by the National Energy Administration in 2016 sets out the target of natural gas consumption accounting for 10% of primary energy consumption in 2020. The Natural Gas Development Report of China (2016) (《中國天然氣發展報告(2016年)》) jointly issued by the Oil and Gas Department of the National Energy Administration (國家能源局油氣司) and other ministries and departments, raises a series of policies for promoting the use of natural gas. In the 2017 Government Work Report, it is first advocated to use clean energy vehicles. The energy, chemical and liquid food equipment business of the Group is positioned for more favourable policy environment, and its long-term development prospect is still promising. In 2018, it is expected that the global energy structure will not undergo any fundamental change and fossil fuel will remain as the main energy source with natural gas having the greatest growth potential. Although the Brent crude oil price reached almost USD70 per barrel at the end of 2017, global offshore engineering equipment business is gradually leaving its worst times behind and offshore oil and gas investments are gradually recovering. Growth in demand for offshore engineering equipment fluctuates cyclically, and as offshore oil and gas investments accelerate, orders for offshore engineering equipment began to rebound in 2017, therefore it is expected that niche markets (such as FLNG, the Group's environmentally friendly mega deepwater floating production storage unit (FPSO) and FSRU) will be driven by new growth momentums in the future. As the logistics business of the Group benefits from the enforcement of numerous open market policies in 2018, greater market demand and room

for development are envisioned. With the investment in domestic airport construction on the rise and opportunity for entering the overseas market around the corner, the domestic and overseas markets of the Group's airport equipment business promise great opportunities for development. The Group anticipates major business breakthroughs as to the global market and will keep on improving its product lines under the airport business segment. On the other hand, logistics business will see hefty growth in line with the rapid growth of e-commerce, especially following the acquisition of automated sorting technology.

In 2018, facing the more complex global economic and financial situation, the Group will adhere to its strategy of "Manufacturing + Service + Finance", and continue to determinedly promote the transformation and upgrade of its business, stay customer-oriented, and extend its reach from manufacturing to service, aiming to provide comprehensive solutions with life-cycle products. The Group will continue to increase its capability of global operation, optimise its business and assets, speed up the industrial integration and foster the industrial chain. In respect of technology upgrade, business model and management mechanism, it will keep innovating with risks controlled. It will strive to capture market changes and conduct its deployment in emerging and innovative industries while continuing to develop its existing businesses. The Group will uphold its cultural philosophy of "people-oriented and mutual business" and the faith in made-in-China, maintain a stronger sense of risk, and have its entire people united to achieve sustained "quality growth" and enhance its Shareholders' value.

Wang Hong
Chairman
Shenzhen, the PRC
March 2018



智能制造





LOGISTICS
BUSINESS



Chapter IV

CONTENTS

1. BUSINESS OVERVIEW

The Group is principally engaged in the manufacture of modern transportation equipment, energy, chemical and liquid food equipment, offshore engineering equipment and airport facilities, as well as the provision of relevant services, including the design, manufacture and service of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, natural gas equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels and airport facilities. In addition, the Group is also engaged in logistics service, industrial city development, finance and other businesses. Currently, the Group ranks No. 1 in the world in terms of output and sales of containers, and also, the Group is one of the world's leading manufacturers of road transportation vehicles and one of the leading high-end offshore engineering equipment enterprises in China.

During the Reporting Period, there was no material change in the principal business model of the Group. During the Reporting Period, the products and businesses contributing 10% or more to the Group's revenue included container manufacturing, road transportation vehicles, energy, chemical and liquid food equipment and logistics services business.

2. BUSINESS ENVIRONMENT

1. Global Economy

In 2017, global economy improved rapidly, international trade and industrial production resumed growth. The economic trend in developed economies such as the United States, Japan, etc., was overall positive, and the economy in major emerging markets and developing economies rose steadily. During the year, international oil prices ascended after suppression, and the prices for other major commodities also rebounded, China continued to deepen its supply-side structural reform, and the national economy continued to stabilise positively and operated smoothly, achieving an annual GDP growth rate of 6.9%.

Benefiting from the recovery in the global and domestic economy, during the Reporting Period, the Group's revenue amounted to RMB76.300 billion (2016: RMB51.112 billion), representing a year-on-year increase of 49.28%; the net profit attributable to Shareholders and other equity holders of the Company amounted to RMB2.509 billion (2016: RMB0.540 billion), representing a year-on-year increase of 364.97%; and the basic earnings per share amounted to RMB0.81 (2016: RMB0.14), representing a year-on-year increase of 478.57%. Among the principal businesses of the Group, the revenue of the container manufacturing business, the road vehicle business and the energy, chemical & liquid food equipment business significantly increased; the offshore engineering business' revenue significantly decreased as affected by the continued downturn in the industry; the logistics services business, the airport facilities business and the industrial city development business achieved relatively fast growth in their revenues; improvement on the heavy truck business continued; and the financial business remained basically stable.

Unit: RMB thousand

| | 2017 | 2016 | Percentage change |
|---|------------|------------|-------------------|
| Revenue | 76,299,930 | 51,111,652 | 49.28% |
| Operating profit | 4,171,685 | 1,202,884 | 246.81% |
| Net profit attributable to Shareholders and other equity holders of the Company | 2,509,242 | 539,660 | 364.97% |
| Net cash flows from operating activities | 4,275,379 | 2,341,619 | 82.58% |
| Net (decrease)/increase in cash and cash equivalents | (895,810) | 3,079,544 | (129.09%) |

2. 2017年集装箱制造业务经营情况

2.1 集装箱制造业务经营情况

The Group's container manufacturing business mainly deals with standard dry containers, reefer containers and special reefers. The Group has the capacity to produce a full series of container products with independent intellectual property rights. The special reefers mainly includes 53-foot inland North American containers, European wide containers, bulk containers, special reefer containers, foldable containers and other products. During the Reporting Period, the Group remained at top No. 1 in terms of output and sales of containers in the industry.

In 2017, the global economy was in a trend of continued recovery. The shipping volume growth rate was higher than market expectations. The growth in shipping volume has driven the increase in container supply. To respond to a shortage in container supply, customers generally increased their procurement of new containers. Meanwhile, most of the plants in the domestic container manufacturing industry had upgraded their production lines to using water-based paint in the first half of 2017 in accordance with the environmentally-friendly water-based paint self-discipline convention in the industry. The use of water-based paint increased production costs, thus affecting the effective production capacity in the industry in the short term. Prices for raw materials such as steel have started to increase since the second quarter of this year. These factors caused new container prices to steadily remain at a high level after continued growth in the first quarter of this year, while the number of orders and container prices in 2016 was relatively at a low level, and the year-on-year base was low, as a result, we recorded a significant year-on-year increase in the overall sales volume and the revenue of the container manufacturing industry in 2017.

In 2017, the implementation of a series of environmental laws and regulations, led by the new version of the "Law on the Prevention and Control of Atmospheric Pollution" (《大气污染防治法》), as well as action plans in China has put environmental pressure on the traditional manufacturing industry in China, such as the container manufacturing industry. The Group's container manufacturing business has actively carried out environmental transformation and upgrade, with environmental technology and materials including water-based paint, solvent recovery and environmentally-friendly floors receiving continued application and promotion. During which, before April 2017, the Group has gradually terminated the use of oil-based paint for its standard dry containers across the nation in compliance with the demands stated in the "Container Industry Self-Discipline Convention"* (《集装箱行业自律公约》), and materialised a complete change from oil-based paint to water-based paint in container production as well as a large-scale environmental upgrade in container plants, setting a good example across the container industry.

During the Reporting Period, affected by the continued recovery in global trade and the lower base in 2016, the Group's container manufacturing business had a significant year-on-year increase in the number of orders. Revenue and net profit have both shown significant growth, among which, the accumulated sales volume of ordinary dry containers reached 1,308,900 TEUs (2016: 587,300 TEUs), representing a year-on-year increase of 122.87%; the accumulated sales volume of reefer containers reached 109,100 TEUs (2016: 79,700 TEUs), representing a year-on-year increase of 36.89%. The container business of the Group recorded a revenue of RMB25.047 billion (2016: RMB11.067 billion), representing a year-on-year increase of 126.32%; and the net profit was RMB1,463 million (2016: RMB363 million), representing a year-on-year increase of 302.52%; among which, ordinary dry containers recorded a sales revenue of RMB17.719 billion (2016: RMB5.691 billion), representing a year-on-year increase of 211.33%; reefer containers recorded a sales revenue of RMB3.274 billion (2016: RMB2.236 billion), representing a year-on-year increase of 46.46%; special reefers recorded a sales revenue of RMB4.808 billion (2016: RMB3.553 billion), representing a year-on-year increase of 35.30%.

In 2017, the container manufacturing business of the Group welcomed the arrival of a comprehensive recovery after persevering through the lows last year. By actively adopting measures to counter issues concerning the suspension of water-based paint production line for engineering upgrade, the difficulty in recruiting frontline staff as well as measures to raise collaboration among production, supply and sales, the container manufacturing business of the Group achieved excellent results, and at the same time, it also achieved significant progress in propelling initiatives in respect of making optimization adjustments to production capacity structure and asset structure. Each investment proceeded smoothly as planned: the relocation project of the Group's container production base in Fenggang, Dongguan has been officially launched, and some of its subprojects have commenced construction, and is expected to be completed and put into operation in 2018. The container segment's Dalian base and the Yangzhou base made progress in its transformation and upgrade, it completed the scheme design of the transformation and upgrade with some assets being enlivened or disposed. In addition, the Group and the Container Industry Association worked together to promote full coverage of the water-based paint engineering upgrade in container production lines across the entire industry and use this to promote upgrade and comprehensive compliance with standards regarding HSE in all plant.

To seize the opportunity of urban renewal, accelerate land commercialisation projects and increase value of resources held currently, in August 2017, Southern CIMC (a wholly-owned subsidiary of the Company) entered into a relocation compensation agreement with China Merchants Shekou Industrial Zone Holdings Co., Ltd. in respect of three land parcels (with a total area of 61,005.5 square meters, the "Prince Bay Land") located at the north side of Gangwan Avenue in Shekou Industrial Zone, obtaining the relocation compensation has brought a positive impact on the Group's financial results in 2017. The Group has invested and declined production with the new container production lines in Pingshan, Shenzhen in order to address the inadequate production capacity caused by the relocation and production suspension of the Prince Bay Land. For relevant information, please refer to the relevant announcement published on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 3 August 2017.

With "the world's local CIMC (全球運營，地方智慧)" as its business philosophy, CIMC Vehicle (Group), a subsidiary of the Group, is a globally leading road transportation vehicle manufacturing group, providing global customers with various special vehicle products, key parts of special vehicles and sales services. As of the end of the Reporting Period, CIMC Vehicle (Group) has established 25 production and research and development bases in China, North America, Europe and emerging markets, and developed different product lines for special vehicles consisting of 10 series and more than 1,000 models, including container semitrailers, flatbed/staked-side semi-trailers, low-flatbed semi-trailers, vehicle loaded semi-trailers, stake trucks, van trucks, tank trucks, dump trucks, sanitation trucks and special vehicles, covering major domestic and international markets.

In 2017, the global manufacturing industry and trade resumed growth. The market demand for semi-trailers in the U.S. slightly declined. The economy of the European market has been gradually recovering, but the overall demand for semi-trailers dropped due to the impact of Brexit. The emerging markets saw significant economic recovery. The Southeast Asian market is growing steadily while some regions are unstable. The Chinese market benefited from the extended impacts of the implementation of the GB1589 policy promulgated by the central government in 2016 and the continued domestic stringent governance against overloading, and road transportation vehicle products were strong in demand. Meanwhile, more domestic infrastructure projects have commenced construction, which boosted the growth of demand for intelligent urban muck trucks.

During the Reporting Period, the Group's road transportation vehicle business continued to achieve growth in all aspects. The annual accumulated sales was 163,000 units (sets) (2016: 123,100 units (sets)), representing a year-on-year increase of 32.41%. The sales revenue was RMB19.521 billion (2016: RMB14.695 billion), representing a year-on-year increase of 32.84%, and achieved a net profit of RMB1,018 million (2016: RMB767 million), representing a year-on-year increase of 32.78%. The increase in revenue and net profit is primarily due to the Chinese market's positive business performance, the European and North American market performing better than expected and the recovery of some regional markets in emerging markets.

During the Reporting Period, CIMC Vehicle (Group) continued to improve its global business plan, while optimising existing business and seizing business growth opportunities. Amid external adverse conditions of product demand decline in the European market, the segment managed to enhance profits from existing business and promote corporate changes and upgrade through technological advancement, which laid a solid foundation for the sustainable development of the global semi-trailer operation.

In respect of the domestic market, in 2017, through seizing the opportunity presented by the increased demand in the PRC market, new regulations and industry governance as well as strategies to "consolidate market position of skeletal trailers" and "expand business of lightweight flatbed stake trucks," CIMC Vehicle (Group) recorded semi-trailer sales of 66,000 units (sets) domestically. Sales and profits increased significantly with a general recovery for building type products. Primary truck types such as ordinary dump trucks, concrete mixer trucks and granule tank trucks have all recorded rapid growth.

In respect of the overseas market, with the decline in business for van trucks and refrigeration trucks in the North American market, through the application of the demonstrative advanced manufacturing and digital manufacturing technology adopted in the Dongguan plant, improvement in efficiency, quality and product profitability, CIMC Vehicle (Group) realized steady profits for the North American market in 2017. Through pursuing selected market segments and offering niche products and seizing the opportunities arising from the building product boom in Vietnam, emerging markets recorded a rebound in results. In the Australian market, after reorganization, Marshall Lethlean Industries Pty. Ltd. focused on the primary business of tank trucks and recorded a drastic reduction of losses from the previous year. The European market continued to maintain steady business development in SDC Trailers Limited and business growth in LAG (Lag Trailers NV Bree), and focused on rapid assembly of core products to achieve a successful transformation, thus strengthening profitability and achieving sustainable development.

During the Reporting Period, CIMC Vehicle (Group) initiated the planning and construction of a digital system at its core plant as well as a comprehensive upgrade in refrigeration truck manufacturing technology and foaming technology.

The Group's subsidiary CIMC Enric is principally engaged in the design, development, manufacturing, engineering and sales of various transportation, storage and processing equipment widely used in three sectors, namely energy, chemical and liquid food equipment, as well as provision of relevant technical and maintenance services. Its energy and chemical equipment products and services are supplied throughout China and are exported to Southeast Asia, Europe and North and South Americas; and from its production base in Europe, its liquid food equipment products and services are offered worldwide. CIMC Enric has established a business landscape featuring "the world's local CIMC (地方智慧, 全球營運)" based on its production bases located in China and Europe.

In 2017, international oil prices increased, global natural gas market recovered, propelling the natural gas market globally, especially the accelerating growth of volume of import and export of LNG. The PRC government has closely introduced and implemented a series of policies concerning the utilisation of natural gas, pricing mechanisms, infrastructure construction and operation management, in particular the Notice on Opinions on Accelerating the Utilisation of Natural Gas (《加快推進天然氣利用的意見》) jointly issued by the National Development and Reform Commission and thirteen ministries and commissions in July 2017, to accelerate the utilisation of natural gas for urban and industrial use, gas-fired electricity generation, vehicle and transportation and other areas and domestic natural gas consumption will be back on track in attaining high speed growth. At the same time, under increasingly stringent environmental policies, China has commenced a large scale project of "coal-to-gas", which has sparked a substantial increase in demand for natural gas in the domestic market and has stimulated the demand for LNG storage and transport equipment. In addition, the relevant regulatory provisions for the transportation of hazardous goods are increasingly thorough, with the government encouraging multimodal transportation, construction of logistics infrastructure and facilities, establishment of multimodal pilot projects and further development of multimodal hubs and stations, which will facilitate the penetration of the Group's tank containers in the logistics industry in China.

During the Reporting Period, benefited by the growing market demand, the energy, chemical and liquid food equipment business of the Group recorded revenue of RMB11.846 billion (2016: RMB9.354 billion), representing a year-on-year increase of 26.65%. The net profit was RMB474 million (2016: loss of RMB893 million), turning losses into profits. The revenue from the energy equipment business, one of the three main business segments of CIMC Enric, was RMB4.959 billion (2016: RMB3.241 billion), representing a year-on-year increase of 53.01%; the revenue from the chemical equipment business was RMB3.026 billion (2016: RMB2.472 billion), representing a year-on-year increase of 22.41%; and the revenue from the liquid food equipment business was RMB2.686 billion (2016: RMB2.255 billion), representing a year-on-year increase of 19.11%.

Energy equipment segment: during the Reporting Period, with the recovery of the global LNG industry, the PRC government has accelerated actions to develop natural gas as the main energy source of the modern clean energy sector. With various positive factors such as the implementation of the large scale "coal-to-gas" project and the increasingly stringent environmental policies, the demand for CIMC Enric's LNG transport vehicles has substantially increased, and sales volume of LNG bottles, LNG storage tanks and refilling stations and equipment point-to-point supply have continuously increased. The segment has also received sizeable orders for maritime LNG equipment, LNG multimodal transport tanks, and construction of cryogenic city peak reserve and receiving terminal stations. CIMC Enric adopted suitable diversification and localisation competitive strategies amidst increasing market competition, and in accordance to market changes, made adjustments to product pricing as well as production allocation and business structures of the LNG and CNG businesses as and when appropriate. In addition, on 15 August 2017, CIMC Enric, as the restructuring investor, completed the acquisition of the entire

equity interests of SOE and changed its name to “Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (南通中集太平洋海洋工程有限公司)”. Not only is SOE a global leader of the small- and medium-sized liquefied gas vessels market segment, it is also a pioneer in the offshore engineering and construction industry. The acquisition of SOE helps fulfill the equipment and engineering service capabilities of CIMC Enric’s entire natural gas industry chain and allows it to accomplishing its strategic deployment both on land and at sea, thereby completing an integrated land and marine value chain of natural gas purification, liquefaction, storage and transport equipment. Based on the insolvency analysis reports provided by SOE’s bankruptcy manager and other available information. During the Reporting Period, a further impairment provision of RMB105,549,000 was made by CIMC Enric for amounts due from SOE. The impairment provision is also included in the 2017 consolidated financial report of the Group. For relevant information, please refer to the relevant announcements published by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.cimc.com) on 4 August 2017, 16 August 2017 and 28 August 2017.

Chemical equipment business segment: during the Reporting Period, CIMC Enric reported outstanding performance amidst intense market competition. Sales of various types of tank containers achieved excellent results. Meanwhile, as mainstream customers have attached increasing importance to the improvement of containers’ large-volume, lightweight, total dimensions and functions, the segment has increased investment for the development of products for customers with special requirements, with a year-on-year increase of nearly 50% in production of some special tank containers in 2017. In addition, due to the United States repealing China’s anti-dumping policies on refrigerants, and China’s stricter domestic environmental governance and supervision on the elimination of outdated and surplus production capacities, the demand for gas tank containers of CIMC Enric has significantly increased, with a year-on-year significant increase in production in 2017. During the Reporting Period, the segment actively promoted the general application of safer and more efficient equipment and technologies for containerised storage and transportation in order to consolidate its leading position in the global market. In May 2017, Xinjiang exported liquid chemical products to Europe through the China-Europe Railway Express’ “New Europe” (Xinjiang – Europe – Mediterranean region) for the first time, with all of the tank containers used during the transport of these chemical products manufactured by CIMC Enric. The tank containers from CIMC Enric have established a land-based channel for China-Europe tank container liquid chemical transportation, which will promote resource sharing and economic development of the countries along the route.

Liquid food equipment business segment: through the renowned brands of “Ziemann Holvrieka” and “Briggs”, the segment was equipped with competitive technical strengths derived from world-leading capabilities in the manufacturing of beer production equipment, proven business results and global brand influence. The diverse geographic locations of production facilities in Europe and China has equipped the segment with a solid ability in comprehensive coordination over global production, procurement, operation and regional marketing. During the Reporting Period, the segment was based in China and Europe, and has expanded its production capacity in China and its market network in Asia to further implement the expansion plans to global markets such as the Southeast Asian market. The segment strives to transfer Europe’s advanced production technologies and expertise into China’s businesses, enabling the integration of “European technology” and “Chinese innovation”. Meanwhile, the segment will explore more business opportunities and revenue sources in American regions and emerging markets. Leveraging on its high-level beer production equipment and technical capabilities, the segment will move towards the integration of engineering, procurement and construction as well as horizontal business diversification in less aggressively competitive industries such as the pharmaceutical, distillation, and bio-fuel industries.

Established under CIMC Raffles, a subsidiary of the Group, are 4 R&D and design companies, 3 construction bases and 6 operation and management companies, whose integrated operation model comprises design, procurement, manufacture, construction, commission and operation, and possesses the capability of mass and industrialised construction of high-end offshore engineering equipment and other special vessels. They are also one of the leading contractors of high-end offshore engineering equipment in China and have always participated in international competitions within the offshore engineering market. Their major businesses include the design and construction of semi-submersible drilling platforms, semi-submersible accommodation platforms, jack-up drilling platforms, jack-up accommodation platforms, gas compression jack-up units, liftboats, floating production storage vessels, crane vessels, pipe-laying vessels, OSV, ocean tugs, mid-to-high-end yachts and other vessels with its products covering a majority of offshore engineering products.

Since 2000, due to the limits on production by OPEC to support oil prices, shale oil production has significantly increased and led to a substantial change in supply-demand profile for crude oil around the world. The pricing pattern of crude oil has been shifted from marginal demand-dependant to marginal cost-dependent. Meanwhile, international geopolitical political environment has led to a drastic fall in international crude oil prices, which resulted in the global offshore engineering industry entering into a period of in-depth adjustment, market contraction and industry loss. Offshore oil and gas projects have started to witness signs of recovery with the depletion of shale oil available for mining both in volume and production. Since 2017, international oil prices have risen after hitting bottom in 2016 and offshore oil investments have rebounded.

Under the significant impact of the continued downturn in the industry and due to the significant shrink in new orders acquired, the revenue of CIMC Raffles decreased significantly with loss further increased during the Reporting Period. In 2017, the offshore engineering business of the Group recorded sales revenue of RMB2.485 billion (2016: RMB4.306 billion), representing a year-on-year decrease of 42.28%; the net loss amounted to RMB1,039 million (2016: loss of RMB213 million), representing a year-on-year increase of 388.82%.

Faced with the severe environment in the international offshore engineering market, CIMC Raffles has been actively promoting business transformation and composition, extending into relevant diversified businesses with oil and gas industry as the core business, establishing a business structure to stabilise product fluctuations, making a breakthrough of its capability to integrate leading design/core equipment upstream, and developing engineering operations and high-end services downstream in order to achieve the transformation from a company that only manufactures oil rig equipment to one that provides holistic solutions in the offshore engineering business. CIMC Offshore Engineering leveraged on its advantage to design and build its own platform, extending its business horizontally and vertically in the offshore engineering equipment sector. For sectors already engaged, CIMC Offshore Engineering added in products such as FLNG, FSRU, disassembly platform, luxury cruise ship, offshore complex and recreational fishing platform. It will also expand its business to the electrical equipment industry and the new energy industry, which include products such as offshore wind turbines and floating power barges.

In respect of the construction and delivery of platforms: in 2017 "Blue Whale No. 1" of CIMC Raffles successfully completed the national-level lease for drilling combustible ice in the South China Sea. CR600 has secured the Petrobras lease before the end of the year. Other projects under construction were basically near completion or under repairs and maintenance. This year, 2 platform-based projects and 9 projects of theme yacht and marine ranching platforms have completed construction and delivery, among them, the Victory (Shengli) 90 meters drilling platform and "HYSY 162" test drilling platform constructed for China National Offshore Oil Corporation (CNOOC) respectively were completed on time and within budget and were highly acclaimed by customers. With regards to the reconstruction business, large repair and modification projects such as HYSY 981 and the Xingwang drilling platform were completed.

In respect of new orders: through strengthening the development of differentiated products and services, the adverse impacts caused by a downturn in the industry were mitigated. In April 2017, CIMC Raffles entered into a letter of intent for the construction of deep sea breeding equipment with a potential worth of USD250 million with Ocean Aquafarms AS Company in Norway at the China-Norway Government Cooperation Summit. In May, the "Blue Whale Project" achieved great success for the combustible ice lease in the South China Sea. The Blue Whale platform, highly praised by Premier Li Keqiang as "a valuable piece of equipment of a great nation", set a world record in gas production, which not only proves the reliability of CIMC Raffle's equipment but also indicates that CIMC Raffles achieved its transformation from simply being an equipment manufacturing company into an upstream drilling company. In December, CIMC Raffles entered into a construction contract with Petrobras for the EPC of a FPSO hull in the Netherlands, the amount of which is approximately RMB1.1 billion, achieving a successful transformation from "focus on drilling" to "integration of drilling and mining". In addition, during the year, CIMC Raffles contracted for 15 jack-up marine ranching platform and 2 deep water net cages with ranch clients in Shandong Province, which saw the breakthrough of high-end ocean fisheries.

In respect of R&D capabilities: Bassoe Technology, Brevik Engineering, Ocean Engineering Design & Research Institute of CIMC and CIMC Marine Engineering Academe Co., Ltd., four design companies under the Group located in Sweden, Norway, Shanghai and Yantai respectively, have national offshore oil drilling platform R&D centers and national engineering laboratories of general assembly research and development of offshore engineering. Currently, the technical reserve for the 7th-Generation Ultra-deepwater Platform, the BT5000 Economical Mid-deepwater Platform, the FPSO, the cruise ships, and the development equipment and dismantling equipment for offshore oil fields have been completed.

The logistics service business of the Group adheres to the development concept of "equipment changes logistics", advancing its strategic focus, enhancing network deployment, and concentrating on five major business directions, namely container service, marine transport service and project logistics, multimodal transport, equipment logistics and contract logistics.

In 2017, the development of the domestic logistics industry remained in the basic trend of moderating growth with a stable and positive outlook. The State issued the Railway Container Multimodal Transport Development Plan for the "Thirteenth Five-Year Plan," with the strong development of domestic multimodal transport, and the focus is to extend railway lines into inland ports, free trade zones and bonded ports. The volume of containers transported via railwater transport as well as the transport volume of the China-Europe Railway Express continued to increase. The use of standardised basic loading units, such as pallets and containers, is promoted, and connectivity to the Internet was enabled through the use of sensors. Traditional transport, warehousing companies were encouraged to extend their services upward and downward along the supply chain, expand international joint transport service and build a resource-sharing logistics platform that integrates "the Internet + professional logistics."

In 2017, the Group's logistics service business recorded a revenue of RMB8.195 billion (2016: RMB7.129 billion), representing a year-on-year increase of 14.95%; net profit was RMB86 million (2016: RMB359 million), representing a year-on-year decrease of 75.95%. The decrease in net profit is primarily due to the profits from the same period of last year including income from disposal of equity interests in subsidiaries.

During the Reporting Period, the Group's logistics service business opened a new chapter of "transformation and upgrade, growth with quality." The Group's volume of containers handled continues to be the highest in China while the sales volume of second hand containers set a new historical high. The "three horizontal, one vertical" multimodal transport network plan is rolling out steadily. The multimodal transport network of automobile vehicle and components has initially formed. The domestic railroad cold chain transport had made a successful breakthrough by opening and operating the China-Europe, China-Asia Railroad Express in the Eastern China region. During the year, the Group attained the qualification of "freight broker". Progress has been made for its "Belt and Road" layout in Africa. Logistics Equipment has entered new business territories such as ship paints.

- The container service business line formulated concrete development strategy for three major products namely container yard, railway station service and selling and leasing of containers; actively expanded Southeast Asian markets such as Thailand and Vietnam, explored joint development of yard business with local partners through various ways; further increased deployment location of railway stations, added locations such as Xichang and Taohua Village, Kunming in the service network; increased repair capability of tank containers, expanded tank container service to Guangzhou and Nanchang, Fangcheng and Zhanjiang; continued improving the service network and business type of the railway cold chain, added a station in Fangcheng and provided container leasing and complementary services for railroad logistics companies; successfully won the tender for the global sourcing of second hand dry containers from Yang Ming Marine Transport and expanded the second hand container market in South Korea.
- The marine transport and project logistics business line focused on market development opportunities in nations along the belt under the "Belt and Road" Initiative and actively sought international logistics cooperation. It improved the domestic network distribution of shipping and freight forwarding, expanded the shipping and freight forwarding service coverage in coastal regions such as Xiamen and facilitated the collaboration of shipping and freight forwarding. It built professional service products for project logistics, successfully completed the delivery of 1,000-tonnes-level LNG project module as the ship owner and port agency of the Yamal Project and helped the world's largest man-made fishery equipment launch successfully. It successfully received the first qualification of "freight broker". It came up with the innovation by using tank containers for long-distance multimodal transport and realised the first export of LNG from Canada to China.
- The rail-water transport business line constructed a golden waterway that penetrates the Yangtze River. The waterway radiates to the southwest and northwest, forming a network layout of "one main body with two wings". It began the initial construction of the "three horizontal, one vertical" logistics trunk network, continued improving the multimodal transport service system and enhanced the service capability of integrated logistics. It focused on three major product lines, namely river-ocean transport, rail-water transport and international railroad transport, built a "one primary, five secondary" transport system that centers on the Yangtze River and covers the five major lakes. It constructed domestic rail-water, rail-ocean and road-rail transport channels that span along the Yangtze River and extends southwest, northwest and coastal sea ports. Leveraging major land ports, it opened the international railroad channel to countries and regions such as Europe, Russia and Central Asia and succeeded in opening the Nanning-Central Asia, Nanjing-Russia (Europe) of China Railway Express. It actively advanced the cross-border multimodal transport business in Central Asia and the China-Mongolia region, among them, small land bridge container crossborder business, automobile/accessory import and export business have steadily developed, gradually forming a comprehensive chain service capability. For emerging businesses, it took over the railroad cold chain warehouse end reception and delivery business. Through resource integration, it seized market opportunities, focused on enhancing operation and management capabilities and formed a competitive edge boasting "railroad core qualities + service innovation".

- With the belief that “equipment changes logistics”, the equipment logistics business line focused on the business model of modular logistics apparatus integrated logistics solutions, clearly defined three major businesses, namely equipment R&D and manufacturing, equipment lease operation and equipment logistics services. It focused on three major sectors, namely automobile, food and energy and chemical industries. It actively promoted lean production and developed the domestic market. It took initiative in offline network distribution and the preliminary construction of online lease operation platform. It also focused on the consolidation and cultivation of the full supply chain services in the automobile industry, innovated and developed areas of pallet sharing and the circulation and sharing of shipping paint coating.

The Group operates the heavy truck business through its subsidiary C&C Trucks. C&C Trucks positions its main products in the mid-end to high-end heavy truck market with the product development strategy of “leading domestic techniques and following foreign techniques” and the development strategy of “making high-end products, providing quality services, and creating first-class brands”. Its key products cover two kinds, namely diesel and oil, and four series, namely tractors, mixer trucks, dump trucks, cargo trucks and special-use vehicles.

In 2017, fully driven by the Ministry of Transport’s policies on “Administrative Rules on Highway Driving of Overloading Vehicles” (超限運輸車輛行駛公路管理規定), the domestic heavy truck industry experienced exponential growth, exceeding market sales of over 1,100,000 vehicles, representing a year-on-year growth of 52% with increasing demand for tractors, dump trucks, mixer trucks, cargo trucks and special-use vehicles.

2017 was the eighth anniversary since C&C Trucks’ establishment. By continuing to improve its management and innovate its operations, sales growth remained strong and positive. C&C Trucks acquired orders for 9,369 vehicles throughout the whole year, of which the actual number of sales in 2017 was 8,710 vehicles (2016: accumulated actual number of sales of 6,028 vehicles), representing a year-on-year growth of 44.49%. During the Reporting Period, C&C Trucks achieved sales revenue of RMB2.566 billion (2016: RMB1.726 billion), representing a year-on-year growth of 48.67%, leading to a significant decrease in loss.

In respect of the domestic market, C&C Trucks continued to focus on market demand and main products in the region in 2017. While improving its standard and mature products, C&C Trucks also refined its product offerings, launched E-series mid-level tractor products, deployed a series of trucks and developed products for the vehicle transport market. To address the problem of weak delivery capacities and difficulty in meeting market demand in the beginning of the year, C&C Trucks actively enhanced production capacity, took measures to ensure adequate supply of products, improved delivery logistics and various aspects. After successive improvements, turnaround time for the more competitive products have been significantly reduced. Meanwhile, product-market competitiveness gradually strengthened through improved lightweight work of products and universalisation of parts and components. Marketing management of C&C Trucks remained market-oriented which continued to enhance management and service. In respect of management, C&C Trucks has established a reliable understanding of trust with its distributors through authorised management and control built on integrity, which have led to timely settlement for receivables and continuous reduction of overdue inventories. Through promoting its on-schedule delivery policies, it has established a trustworthy brand reputation in the market.

In respect of the international market, C&C Trucks developed a new business model for delivering full truckload and spare parts and the first batch of spare part products have been delivered to the Kazakhstan market and other markets in 2017. Meanwhile, the expansion of various new channels, being the Kazakhstan, Ethiopia, Gabon, Mongolia markets, etc., have preliminarily turned around the past strategy of a single marketing channel and has laid a solid foundation for the development of international businesses in 2018.

Airport facilities equipment business

The Group primarily operates its airport facilities equipment business through its subsidiaries Pteris, CIMC Tianda and Ziegler. The Group also integrates and achieves synergy with CFE over the advantages of resources, of which principal business includes boarding bridge and peripheral business, ground support equipment (GSE) business, fire and rescue vehicle business, automated logistics systems and smart parking business.

In 2017, the airport business continued to grow as a result of continuing new constructions and expansions of domestic airports; the fire truck and rescue vehicle business benefitted from urbanization and achieved rapid growth; fast development in express delivery and e-commerce industries provided good opportunities for the automated logistics system business industry. The nation has been increasingly concerned on the issue of urban parking, and since the Guiding Opinions Concerning Parking Facility Construction in Urban Areas (Fa Gai Ji Chu [2015] No. 1788), development policies for the parking industry have been encouraged and launched successively, bringing a positive impact on the smart parking facilities industry.

In 2017, the Group's airport facilities equipment business recorded revenue of RMB3.597 billion (2016: RMB3.213 billion), representing a year-on-year increase of 11.93%. It achieved net profit of RMB146 million (2016: RMB131 million), representing a year-on-year increase of 11.74%. The increases in revenue and net profit were mainly due to the further increase in the percentage of the fire and rescue vehicle business's contribution, the further enhancement in bargaining capabilities of the boarding bridge and its peripheral equipment business, as well as after the achievement and acquirement of automated sorting technologies for automated logistics, project contracting competitiveness was further strengthened.

During the Reporting Period, the Group further strengthened its capabilities in the airport facilities equipment business, and the profit level was improved:

- The boarding bridge and peripheral business: it continued to record steady growth in its business revenue and profitability. Its boarding bridge business led the industry with a continued tender success rate level of over 95% for the domestic projects it bid for during the year. Sales growth of the bridge loading and air conditioning businesses was achieved through the synergy generated from collaboration with the airport business.
- The ground support equipment (GSE) business: in 2017, the two-way shuttle ferries and electric-powered products of Xinfu Airport Equipment Ltd., a subsidiary of the Company, gained further customer recognition and its results are going up steadily. The manufacturing of food vehicles and lifting platform vehicles has gradually been moved to China, thereby further improving product quality and securing on-time delivery.
- The fire and rescue vehicle business: during the year, Ziegler built a new components and parts warehouse in Europe, which strengthened service capabilities of the European market. In addition, Ziegler also effectively safeguarded our supply of ladder technologies and reduced costs by way of strategic investment in an Italian company, Cela Srl. With strengthened technology input made by CFE, costs were further lowered, delivery capability was enhanced and the business achieved steady growth.
- The automated logistics systems business: during the year, the Group acquired Zhengzhou Jinte Logistics Automation System Co. Ltd. and gained automated sorting capabilities as well as qualification as a general contractor, thereby further enhancing its competency.
- The smart parking business: as an effective way to solve parking problems in cities, the Group has been proceeding with the pilot projects of the Group for the construction of multi-storey public parking garages.

With an aim to integrate the Group's airport facilities equipment business and special vehicles businesses, on 4 December 2017, the Group, CFE and relevant parties entered into agreements, pursuant to which CFE acquired equity interest in Pteris and equity interest in Tianda from the Group and the relevant parties to the agreements. Upon completion of the transaction, CFE will become a subsidiary of the Company, and Pteris and Tianda will become subsidiaries of CFE. The transaction has been considered and approved at the first extraordinary general meeting of the Company in 2018 and the extraordinary general meeting of CFE held on 11 April 2018. For relevant information, please refer to the announcements published by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 4 December 2017 and 9 February 2018 as well as relevant announcements published by CFE on the website of Hong Kong Stock Exchange (www.hkexnews.hk).

The Group's industrial city development business is operated mainly through its subsidiary CIMC Skyspace Real Estate and its subsidiaries. The main operations include the development of complexes in industrial cities, development and operation of industrial parks and development of traditional real estate.

In 2017, the regulation policies on real estate in popular cities in China kept tightening with the intensification of purchasing restrictions on houses and lending restrictions as well as other regulatory measures. Under the guidance of the tightened policy control, the domestic real estate market resumed to a more rational level. The overall turnover of the housing market represented a year-on-year decrease with obvious discrepancies between different cities. The control policies on the domestic real estate market extended gradually from first-tier and second-tier cities to third-tier and fourth-tier cities. Transaction volume remained low across all tiers of cities. Land policies are tightened in that additional restrictions are imposed on owning properties and construction of affordable housing, and as a result it has become a common practice that developers in first-tier cities join forces in acquiring land parcels.

During the Reporting Period, the Group's real estate development business recorded areas sold of 158,000 m² (2016: 92,000 m²), revenue of RMB1,007 million (2016: RMB723 million), representing a year-on-year increase of 39.23%, and net profit of RMB192 million (2016: RMB154 million), representing a year-on-year increase of 25.08%. The increase of sales revenue and net profit was mainly due to the increase in areas for sale during the Reporting Period.

During the Reporting Period, all businesses of the Group's industrial city development achieved favourable progress:

- In respect of the industrial city development business: the operating results were relatively stable with a good development trend overall. In 2017, a breakthrough development was achieved in the land demolition project of Shanghai CIMC Reefer. The leasehold land has currently been delisted. On 9 October 2017, Southern CIMC entered into the Land Preparation Framework Agreement with Urban Planning, Land & Resources Commission of Shenzhen Municipality* (深圳市規劃和國土資源委員會) and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen* (深圳市前海深港現代服務業合作區管理局) in respect of the land preparation issues of land parcels T102-0152, T102-0153 and T102-0154 located at Qianhai, Shenzhen. For relevant information, please refer to the announcement of the Company dated 9 October 2017 published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com). The official contents of the agreement are currently under discussion by all of the parties to the agreement, and is expected to be realised in the near future.

- In respect of the industrial park development and operation business: it has developed and advanced steadily. During the Reporting Period, the second phase of the CIMC Intelligence Valley project in Songshan Lake, Dongguan, Guangdong, has completed the investment invitation and several companies have set up their businesses in the park. The business incubator received praises from the government, society and our peers. The business model of the industrial park of the Group had a sound and steady development. As at the end of the Reporting Period, apart from the CIMC Intelligence Valley project in Dongguan, the implemented industrial park projects included: CIMC Database in Xinhui, Guangdong and Qingdao Reefer Incubation Park in Jiaozhou, Qingdao. At present, the Group is in active negotiation and promotion in respect of other several projects in several regions.
- In respect of the traditional residential business: it adjusted the development strategy promptly. Certain projects in third-tier and forth-tier cities were put into cooperation with Country Garden Group, the Company's strategic partner, to improve the development productivity of the project and speed up fund return, thereby achieving apparent growth.

On 17 July 2017, CIMC Skyspace Real Estate introduced Country Garden Real Estate Co., Ltd. ("Country Garden") as a strategic investor. Country Garden injected an amount of RMB926,322,000 into the capital of CIMC Skyspace Real Estate and held as to 25% of its equity while the Company still held 61.5% equity interest in CIMC Skyspace Real Estate through CIMC Shenfa. The introduction of Country Garden helped CIMC Skyspace Real Estate to absorb and utilise the funds, talents and professional experiences of the industry-leading enterprise, to enhance the capital strength and business development capability of CIMC Skyspace Real Estate. For relevant information, please refer to the relevant announcement dated 17 July 2017 published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock

During the Reporting Period, in respect of the financial business, the Group achieved revenue of RMB2.341 billion (2016: RMB2.302 billion), representing a year-on-year increase of 1.66%, and net profit of RMB992 million (2016: RMB824 million), representing a year-on-year increase of 20.46%.

In 2017, to comply with the trend of domestic economy and industry restructuring, CIMC Financial Leasing Company grasped market opportunities, and continuously strengthened the integration of industry and finance across different business segments of the Group. As for the assets side, the company increased investments in cyclical-low and low risk businesses, continuously optimised the industry-mix portfolio, improved asset quality, innovated on a larger scale and created competitive advantages in product differentiation. At the same time, it increased risk control over high-risk industries, strictly controlled quality of newly invested assets, further promoted the establishment of asset management systems and strictly upheld risk limits. As for funds, it continuously deepened partnerships with external

Modular Building Business: CIMC Modular, a subsidiary of the Group, operates modular building business, and developed a onestop service model of “Manufacturing + Finance + Service” integrating industry and finance. During the Reporting Period, in respect of the international market, CIMC Modular further expanded into England, America, Australia, New Zealand, Africa and other countries and regions with integrated competitive strengths, carefully cultivated the hotel and apartment housing market, and expanded into the long-term leasing apartment and elderly homes market. Following the delivery of projects of internationally renowned English hotels and student residence apartments for world-renowned universities, CIMC Modular Building Investment Company Limited signed project contracts in America, opening a wider new business layout. In the Australian and New Zealand market, CIMC Modular Building Investment Company Limited achieved a breakthrough development as it obtained orders for high-rise hotel buildings and public safety service facilities. As for the domestic market, CIMC Modular launched several important projects in the modular building business of the domestic market, and with its technical edge, the Group won the bid for the hotel and office building projects in the Xiong’an service

2. Container Manufacturing Business

In respect of the container manufacturing business, according to the latest prediction made by CLARKSON (a globally leading analyst), the growth of global container trade reached 5.0% in 2017 and would continue to grow at this rate in 2018. It is expected that growth of shipping capacity will be lower than the growth of trade, being 3.6% and 4.0%, for 2017 and 2018, respectively, while the oversupply of shipping capacity will continue to be relieved, and increasing growth in trade will lead to greater market demand for containers. In view of the foreseeable circumstances in 2018, it is expected that customers will maintain a relatively eager willingness to purchase containers. Therefore, it is predicted that the demand for containers in 2018 will remain at a favourable level.

In respect of the logistics services business, in 2018, the country will develop new points for economic growth in modern supply chains by innovating new supply chain concepts, technologies and models, effectively integrating various resources and enhancing integration and synergy between industries. Intelligent supply chain systems will be established with the support from big data, network sharing and smart collaborations. In order to meet demands arising from the transformation and improvements of the manufacturing industry, logistics businesses will be redefining their business procedures and establishing an integrated and intelligent supply chain service system to meet the needs of their customers. Multimodal transport and other advanced transport modes will continue to be developed, while construction will be accelerated for multimodal transport type and branch-link type transport hubs (logistics parks). Further focus will be placed on the professionalisation and standardisation of transport equipment as well as the continuous application of open containers, box-type semi-trailers and other standardised transport vehicles.

In respect of the heavy truck business, in 2018, the macroeconomy is expected to stabilise after the exponential industry growth in 2017 and a downturn in the market is expected. In niche markets, there is increasing demand for express delivery and transportation, car carriers, cold chain and waste transportation, while demand is expected to fall drastically in the coal market, and rebound for hazardous chemicals, waste soil from urban soil construction, highway dump trucks, general less-than load shipping, spare and miscellaneous parts markets. There will be increasing demand in the road transportation market as well as express delivery, less-than truckload and full truckload shipping market. It is expected that the market will orient towards high efficiency, networking and integration, while new standardisation requirements are expected to trigger demand from European markets, and demand for tractors, central-axle vehicles will increase significantly due to overload regulations.

In respect of the airport facilities equipment business, in 2018, the global airport business will grow steadily, and it is expected that the boarding bridge and peripheral business and the GSE business will benefit as the Ministry of Defense opens up more airspace. The fire and rescue equipment business will also grow steadily as there is a visible trend in merger integrations in the global fire and safety industry, with lifting and special-use vehicles as the main profitable points of interests. The automated logistics business will continue to grow with further improvements in smart technology applications. The garage business is favorably backed by policy-support. In respect of pilot-city policy, it is evident that proposals to develop multistory parking as a solution to address parking issues will be feasible and effective. In addition, the level of smart applications in various industries has also been gradually improving.

In respect of the industrial city development business, in 2018, the domestic macroeconomy is expected to stabilise, and trading in the future real estate market will continue to be impacted by deleveraging and tightening of liquidity in the financial market. It is expected that tightening policies in key cities will continue to affect market situations in third and fourth-tier cities for around a year. As internal development situations vary a lot among third and fourth-tier cities, long-term development potential of the real estate market will be determined by the city's industry, transportation and demographics. Further segmentation of residential leasing policies as well as property purchase and lease policies will be implemented progressively. With the comprehensive tightening of real estate investment capital and strengthened regulations on housing finance, it is expected that a new era in which both the property market and rental market are active is emerging; and implementation of long-term property policies will be accelerated.

In respect of the financial business, there is a positive and favourable outlook for the global economy in 2018, while the domestic economy is expected to optimise its structure and reshuffle growth drivers in full swing. Under the policy of "Strict Regulations and Currency Stability", it is expected that domestic capital will still continue to tighten and market rates will still continue to rise, posing challenges of increasing finance costs for the domestic finance leasing industry. Stricter regulations will force the finance leasing industry to participate in the real economy, adopt different development approaches, improve development quality and steadily achieve such developments with an aim to standardise, professionalise and differentiate. The 19th National Congress of the Communist Party of China, the Central Economic Work Conference and the National Financial Work Conference all emphasised the importance of actively tightening regulatory powers in preventing financial risks. Policies will be steered by the guidelines of "the financial sector to serve the real economy" and "tighter, more-centralised financial regulatory powers", and strong regulation will continue and be furthered.

3. Looking forward, in 2018, the Group will persist its strategic positioning of "Manufacturing + Service + Finance", continue to promote the transformation and upgrade of its businesses, and extend its manufacturing segment toward the service segment based on customer needs. The Group will also continue to improve its global operating capabilities, optimise its businesses and assets, accelerate clustering of industries, and cultivate advantages in its industrial chain. In terms of technological upgrade, business models and management mechanisms, the Group will strive for constant innovation and control risk. The Group will also strive to grasp changes in the market and complete the layout of its emerging industries and innovative businesses in order to achieve continued growth with quality.

Looking forward, in 2018, the Group will persist its strategic positioning of "Manufacturing + Service + Finance", continue to promote the transformation and upgrade of its businesses, and extend its manufacturing segment toward the service segment based on customer needs. The Group will also continue to improve its global operating capabilities, optimise its businesses and assets, accelerate clustering of industries, and cultivate advantages in its industrial chain. In terms of technological upgrade, business models and management mechanisms, the Group will strive for constant innovation and control risk. The Group will also strive to grasp changes in the market and complete the layout of its emerging industries and innovative businesses in order to achieve continued growth with quality.

In respect of the container manufacturing business, in 2018, for the mature businesses, carrying out innovative upgrade, structure adjustment and connotative optimisation in order to reshape the Group's core competitiveness in the container manufacturing business, strengthen and enhance its leading position in the container manufacturing industry and proactively seize the opportunity in market fluctuations by strengthening production, supply and sales chains. The group will further accelerate the upgrading and improvement of production lines for containers by intelligent manufacture upgrading projects, and commence the construction of the segment joint finance center and joint procurement center to enhance its business management skills based on the ERP (Enterprise Resource Planning) project and the electronic procurement platform project. In respect of new business expansion, the Group will quicken its pace of land commercialisation, establish a model combination of investment through industrial fund and equity direct investment through collaborations, and actively explore and develop relevant business areas, such as cold chain equipment, logistics equipment, environmental friendly energy saving and new materials etc.

In respect of the road transportation vehicle business, in 2018, CIMC Vehicle (Group) will continue to stabilize existing businesses, put more efforts on exploring business growth (especially the robust growth in the PRC car carrier business), to promote business upgrading by technology advancement and realise the continuous quality growth of the road transportation vehicle business of the Group. In domestic market, the Group will seek for developing new profit growth by capturing opportunities brought by skeleton trucks and stacked-side trailers hot events of niche markets. In the North American market, the Group will improve its production efficiency by optimising production cost and solidify its profitability. Regarding the European market, the Group will give full play to its role as the global operation system of vehicles and upgrade its technology to improve the profitability of European businesses at the same time. In emerging markets, the Group will optimise its business structure and actively respond to the opportunities arising from seizing niche markets and niche products to realise the quality growth.

In respect of the energy, chemical and liquid food equipment business

In respect of the heavy truck business, in 2018, C&C Trucks will carry out its work centering on the operational principle of “market-oriented, efficiency first, risk management, management standardisation and integrity-centric” using the follow measures to achieve continuous sales growth; in terms of sales, the Group will sort out its internet channels thoroughly, strengthen the competitive products transformation and improve the profitability of each of the shops. The Group aims to facilitate its businesses by securing financial resources on competitive terms. Through coordination and collaboration in an innovative mode, the Group aims to realize resources sharing and win-win situation. In terms of products, the Group will focus on the market with clear targets, create flagship products and enhance its product competitiveness. The Group will also improve the quality of its products. In respect of services, the Group will aim to raise the response efficiency of its terminal service to boost sales. In respect of internal management, the Group will seek to enhance its turnover efficiency of current assets, build a fast-response implementation mechanism as well as a talent pool that suits our development and comprehensively improve our employees’ capabilities. The Group will aim to realize our operating targets as a whole through core SBU models (multidivisional structuring).

In respect of the airport facilities equipment business, in 2018, the Group’s airport business will focus its advantages and resources and integrate the existing airport business. Fire and rescue business will practice the strategic ideas which generate from the Going Global strategy encouraged by the state, and further introduce foreign quality skills and facilities into the domestic market to bring “made in China” to the world and eventually realise mutual growth. The Group will further enhance its aerial lift capabilities to meet construction demand in cities and towns. The automatic logistics business will strengthen manufacturing levels to better adapt to business development, improve delivery ability and be kept aware of the revolution and development of advanced technologies. The intelligent parking business will further accelerate the implementation of the multi-storey parking complex, a refreshed business of the Group. Also, further building a comprehensive human resource system will improve group profession and international level and keep strengthening our risk control. Moreover, we will also expand our market presence on the basis of acquisition and integration with an optimised business model to better adapt to future changes and developments.

In respect of the city industry business, in 2018, under the guidance of real estate and property development policies promulgated by the State, combining its own advantages and resources as well as development strategies, the Group will focus on revitalising its land resources in first-tier cities, such as Shenzhen and Shanghai. In the meantime, through replication of the industrial park model, it will actively seek promising first-tier cities or surrounding areas of first-tier cities to boost the implementation of industrial park projects. By leveraging the Group’s advantages in industrial collaboration, the Group seeks to acquire project opportunities and expand through market-driven approaches. The focus is placed on promoting plans in industrial property development and recruitment and operating service capabilities for the Group to establish a business model for industrial property development.

In respect of the financial business, in 2018, CIMC Capital Ltd. will keep taking on the responsibility of synergy of industries and finance, comply with the nation’s policies, capture the developing opportunities in niche markets, explore and establish professional subsidiaries, strive to promote the development of business professionalisation, further optimise business distribution, innovate business model and enhance the quality of its assets. Meanwhile, the Group will continue to strengthen its risk prevention and control measures, adhere to sound and prudent risk control strategies and set efficient risk control measures. In terms of financing, the Group will put great efforts to build a diversified financing system, expand external financing channels including asset securitization and others, explore the cooperation patterns with financial institutions such as banks to ensure sources of finance for business development and to ensure the sustainable operation of the Company. In 2018, CIMC Finance Company will incorporate the new phase developing strategies of the Group, by centering the operating theme of “Service, Sharing, Innovation, and Leaping” and adhering to its principle of serving the people, CIMC Finance Company will comprehensively improve its financial service functions, and build a safe, reliable financial service sharing platform of the Group, promoting industry development and achieving leapfrog development.

4. Risk of economic periodic fluctuations

Risk of economic periodic fluctuations: the industries that the principal business of the Group is engaged in are dependent on global and domestic economic performance and often vary with economic periodical changes. In recent years, the global economy has become increasingly complex with increasing uncertainty factors. There are risks that the growth of the Group's various principal businesses might slow down. The changes and risks in the global economic environment demand higher requirements on the Group's operating and management capabilities.

Risk of economic restructuring and industry policy upgrade in China: China's economy entered into the "new normal" and the government comprehensively deepened supply-side structural reform to push forward the transformation and upgrade of economic structure. New industrial policies, tax policies, environmental policies and land policies, etc. that have a huge impact on business operations are being constantly launched. The main businesses of the Group, as part of the traditional manufacturing industries, will face certain policy adjustment risks in the coming years.

Risk of trade protection and anti-globalisation: anti-globalisation trend such as the trade protectionism implemented by the United States, Brexit and political elections in European countries, will bring more uncertainties to global trade recovery and threats to global economic growth. Part of the Group's principal businesses will be affected by global trade protectionism and reverse globalisation, such as anti-monopoly and anti-subsidy and anti-dumping investigations, etc.

Fluctuations of financial market and exchange risks: the presentation currency of the consolidated statements of the Group is RMB, will face 1.1Tf hugln wcthe NTSll nnency on:

1. Assets

1. Main Assets

During the Reporting Period, there were no significant changes in main assets of the Company.

2. Other Assets

Applicable Not Applicable

2. Business Model

The Group has formed an industrial pattern spanning both logistics and energy sectors, established major business segments with industry leading advantages and good prospects, and will continue to explore and deploy in emerging industries which help to give full play to the Group's advantages. While reinforcing its edge in traditional industries, the Group promoted a customer demand-oriented business expansion from manufacture to service, offered comprehensive solutions covering the entire life cycle of a product, and established the strategic positioning and industrial ecosystem of "manufacture + service + finance".

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3. Business Strategy

The Group has always been committed to business diversification and globalised deployment. The Group's existing principal businesses cover container manufacturing business, road transportation vehicle business, energy, chemical and liquid food equipment business, offshore engineering business, logistics service business, heavy truck business, airport facilities equipment business, financial business, real estate development business and other emerging businesses, its production bases spread across Asia, Europe, North America and Australia, and its business network spans over the world's major countries and regions. In particular, the container business continued to take the lead in the industry worldwide, while road transportation vehicles, energy and chemical equipment and offshore engineering businesses have gained strong competitive edges. The efficient implementation of business diversification and globalised deployment effectively offsets the adverse impact from periodic fluctuations of the global market in recent years on the Group's results.

4. Governance

The Group has developed a set of effective governance models covering business philosophy, governance structure and management mechanism. A standardised and effective corporate governance structure is the institutional safeguard of the Group's sustainable and healthy development. Since 2010, the Group has launched the strategic upgrade campaign of "building an empowering platform for sustainable and healthy development of CIMC". According to the organisational transformation direction of "layering management", the Group has established a three - level management and control model comprising the executive committee, special committees and the Board as well as a 5S core management process, and introduced the lean management concept. As a result, the Group has established a new management system that ensures sustainable and healthy development of its businesses in the future.

Lean Management Concept

With the accumulation of large-scale, serialised and standardised management experience and capabilities in the area of container manufacturing over the years and its continuous improvements and upgrades, currently, the Group introduces the lean management concept to the whole group, and brings into full play of such core capabilities as highly efficient, safe, green and lean manufacturing technologies and process management represented by the ONE Model and the QHSE across its business segments to realise the goal of continuous improvement.

Industrial Consolidation and New Business Development

In several business segments such as the road transportation vehicle, energy, chemical and liquid food equipment and airport facilities equipment, the Group has completed industrial consolidation through a series of mergers and acquisitions, and fully integrated supply chain, production and manufacturing, services and other processes to secure its leading cost advantage and leadership in the industry. On the basis of the existing resources, manufacturing and operating strengths, the Group cultivates new businesses and industry chains for resource sharing and collaborative development. The Group is aiming to capitalise on local strengths and integrate global resources to establish a new business ecosystem.

Technological Research and Development Capabilities

The Group always attaches great importance to technological research and development capabilities through: developing mid-to-long term development strategies to optimise R&D systems and platforms and accelerate the R&D of products and technologies as well as evolution of existing products to promote R&D of new products, technologies, processes and equipment, while constantly improving the mechanism for identifying, inspiring and promoting innovations to speed up the commercialisation of technological achievements; and strengthening protection of intellectual property rights to establish and improve an all-round effective mechanism for protecting, operating, safeguarding and preventing infringement of intellectual property rights. In addition to a national enterprise technology centre, the Group has 26 group-level technology centres, including 5 research institutes and 21 technology sub-centres. Capitalising on its strong R&D organisation, the Group is well positioned to convert its leading technologies into competitive advantages and business success for customers.

1. Changes to the Fixed Assets of the Group

1. Changes to the Fixed Assets of the Group

Changes to the fixed assets of the Group during the Reporting Period are summarised in note IV. 15 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

2. Land Value Appreciation Tax

Land value appreciation tax paid by the Group for 2017 was RMB75,163,000 (2016: RMB55,503,000).

3. 截至2017年12月31日，本集团的储备及可分派储备

As of 31 December 2017, the reserves of the Group were RMB23,016,029,000 (2016: RMB20,774,432,000), and the distributable reserves were RMB19,734,494,000 (2016: RMB17,495,053,000). Movements in the reserves and the distributable reserves of the Group during the Reporting Period are set out in notes IV. 48, 49 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

4. 报告期内，公司未发生任何重大合同

During the Reporting Period, the Company did not enter into any contracts concerning the management or administration of its overall business or any of its material business, nor did any such contracts exist.

5. 2017年，前五大供应商及前五大客户

In 2017, the aggregate purchase attributable to the former five largest suppliers of the Group was less than 30% of the Group's total purchase, the aggregate revenue derived from the former five largest customers was less than 30% of the Group's total sales. For details of the former five largest customers and suppliers of the Group, please refer to "(8) Information of the major customers and major suppliers" of "2. Income and Cost" of "II. Analysis of Principal Businesses" of "Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules" in this Report.

None of the Directors, Supervisors and their associates or any Shareholder (who to the knowledge of the Directors were holding 5% or more of the Company's share capital) had any interest in any of the abovementioned former five largest suppliers and former five largest customers.

6. 报告期内，公司或子公司未发生任何证券回购、出售或赎回

The Company or any of its subsidiaries did not repurchase, sell or redeem any listed securities of the Company or its subsidiaries during the Reporting Period.

7. 截至2017年12月31日，公司不存在任何信托存款或不可收回逾期存款

As at 31 December 2017, the Company did not have any trust deposits or irrecoverable overdue time deposits.

8. 关于优先认购权

The Articles of Association or Chinese law had no provisions regarding pre-emptive rights under which the Company must issue new shares on a pro rata basis to existing Shareholders.

9. 中期票据发行

Please refer to note IV. 39 of "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report for details of the issuance of medium-term notes by the Company.

10. **Income Tax**

In accordance with the provisions of the “Individual Income Tax Law of the People’s Republic of China” and its

15. 2017年利润分配方案

Based on the Group's 2017 operation results and taking into account the Group's overall financial position and cash flows situation, the Board recommended a final dividend of RMB2.70 per ten shares (including applicable taxes) for the year of 2017. The dividend payment plan for the year of 2017 is subject to Shareholders' consideration and approval on the general meeting of the Company. For details of the Group's cash dividend policy and its dividend distribution for recent three years, please refer to "I. Profit Distribution of Ordinary Shares and Share Capital Increase by Way of Transfer from Capital Reserves of the Company" of "Chapter VIII Significant Events" and notes IV. 49 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE".

16. 报告期内董事、监事及高级管理人员变动情况

During the Reporting Period, the changes of Directors and Supervisors of the Company are listed in "IV. Changes of Directors, Supervisors and Senior Management of the Company" of "Chapter X Information on Directors, Supervisors, Senior Management and Employees" in this Report.

17. 报告期内社会责任履行情况

The Group attaches great importance to its responsibility on the environment and the society and strives to increase the Group's environmental, social and governance capability through various measures. The Company published the 2016 Environmental, Social and Governance Report and the 2017 Social Responsibility & Environmental, Social and Governance Report on Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 30 June 2017 and 27 March 2018 respectively in accordance with the Guidelines for Companies Listed on the Shenzhen Stock Exchange on Social Responsibility, Rule 13.91 and Environmental, Social and Governance Reporting Guide of Appendix 27 of the Hong Kong Listing Rules.

18. 报告期内重大事件进展情况

For details of events of the Group after the balance sheet date of the Reporting Period, please refer to note XII to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Chapter V

For the profile of the Group's businesses during the Reporting Period, please refer to "1. Overview" of "II. Review of Principal Businesses During the Reporting Period" under "Chapter IV Report of the Board" in this Report.

1. Overview

For details of the Group's principal business operations during the Reporting Period, please refer to "2. Review of Operations of Major Business Segments" of "II. Review of Principal Businesses During the Reporting Period" under "Chapter IV Report of the Board" in this Report.

2. Review of Operations of Major Business Segments

(1) Revenue

Unit: RMB thousand

| | 2017 | | 2016 | | Year-on-year change |
|--|-------------|--------------|-------------|--------------|---------------------|
| | Amount | % of revenue | Amount | % of revenue | |
| Total revenue | 76,299,930 | 100.00% | 51,111,652 | 100.00% | 49.28% |
| By industry | | | | | |
| Containers | 25,046,697 | 32.83% | 11,066,999 | 21.65% | 126.32% |
| Road transportation vehicles | 19,520,664 | 25.58% | 14,694,682 | 28.75% | 32.84% |
| Energy, chemical and liquid food equipment | 11,846,200 | 15.53% | 9,353,786 | 18.30% | 26.65% |
| Offshore engineering | 2,485,417 | 3.26% | 4,305,630 | 8.42% | (42.28%) |
| Airport facilities equipment | 3,596,511 | 4.71% | 3,213,229 | 6.29% | 11.93% |
| Logistic services | 8,195,452 | 10.74% | 7,129,456 | 13.95% | 14.95% |
| Financial business | 2,340,641 | 3.07% | 2,302,412 | 4.50% | 1.66% |
| Real estate | 1,006,792 | 1.32% | 723,090 | 1.41% | 39.23% |
| Heavy trucks | 2,565,745 | 3.36% | 1,725,766 | 3.38% | 48.67% |
| Others | 3,119,337 | 4.09% | 2,219,576 | 4.34% | 40.54% |
| Combined offset | (3,423,526) | (4.49%) | (5,622,974) | (10.99%) | 39.12% |

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Chapter V

Analysis of Profitability

(2) Analysis of Profitability: 10%

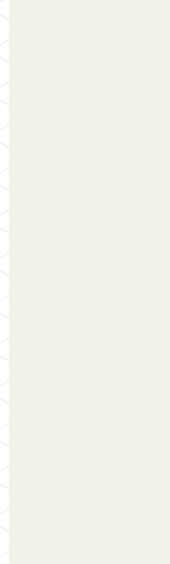
Unit: RMB thousand

| | Revenue | Cost of sales | Gross profit margin | Year-on-year change in revenue | Year-on-year change in cost of sales | Year-on-year change in gross profit margin |
|--|------------|---------------|---------------------|--------------------------------|--------------------------------------|--|
| By industry | | | | | | |
| Containers | 25,046,697 | 21,145,197 | 15.58% | 126.32% | 113.81% | 4.94% |
| Road transportation vehicles | 19,520,664 | 15,938,947 | 18.35% | 32.84% | 33.60% | (0.46%) |
| Energy, chemical and liquid food equipment | 11,846,200 | 9,647,457 | 18.56% | 26.65% | 27.30% | (0.42%) |
| Logistic services | 8,195,452 | 7,406,255 | 9.63% | 14.95% | 16.62% | (1.30%) |
| By product | | | | | | |
| Containers | 25,046,697 | 21,145,197 | 15.58% | 126.32% | 113.81% | 4.94% |
| Road transportation vehicles | 19,520,664 | 15,938,947 | 18.35% | 32.84% | 33.60% | (0.46%) |
| Energy, chemical and liquid food equipment | 11,846,200 | 9,647,457 | 18.56% | 26.65% | 27.30% | (0.42%) |
| Logistic services | 8,195,452 | 7,406,255 | 9.63% | 14.95% | 16.62% | (1.30%) |
| By region | | | | | | |
| China | 32,769,171 | - | - | 39.07% | - | - |
| America | 18,482,055 | - | - | 90.18% | - | - |
| Europe | 18,029,736 | - | - | 123.47% | - | - |
| Asia (excluding China) | 5,412,665 | - | - | (25.51%) | - | - |

Annex A

(3) *[Faint, illegible text]*

Yes No



Chapter V

Industry classification

(5)

Industry classification

Unit: RMB thousand

| Industry classification | Item | 2017 | | 2016 | | Year-on-year change
Amount |
|------------------------------|------------------|------------|--------------------|------------|--------------------|-------------------------------|
| | | Amount | % of cost of sales | Amount | % of cost of sales | |
| Containers | Direct materials | 17,344,980 | 82.03% | 7,610,009 | 76.95% | 5.08% |
| Road transportation vehicles | Direct materials | 14,082,366 | 88.35% | 10,565,729 | 88.56% | (0.21%) |
| Offshore engineering | Equipment | 1,464,155 | 58.14% | 2,961,039 | 76.56% | (18.42%) |

Product classification

Unit: RMB thousand

| Industry classification | Item | 2017 | | 2016 | | Year-on-year change
Amount |
|------------------------------|------------------|------------|--------------------|------------|--------------------|-------------------------------|
| | | Amount | % of cost of sales | Amount | % of cost of sales | |
| Containers | Direct materials | 17,344,980 | 82.03% | 7,610,009 | 76.95% | 5.08% |
| Road transportation vehicles | Direct materials | 14,082,366 | 88.35% | 10,565,729 | 88.56% | (0.21%) |
| Offshore engineering | Equipment | 1,464,155 | 58.14% | 2,961,039 | 76.56% | (18.42%) |

(6)

✓ Yes No

During the Reporting Period, for details of the change of the consolidation scope of the Group, please refer to note V of "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

(7)

Applicable Not Applicable

(8)

Information of the major customers of the Company

| | |
|--|------------|
| Total sales amount of the top five customers (Unit: RMB thousand) | 12,489,770 |
| % of the total sales amount of the top five customers in the annual total sales amount | 16.37% |
| % of the total sales amount of related parties among the top five customers in the annual total sales amount | 0.00% |

Information of the top five customers of the Company

Applicable Not Applicable

Unit: RMB thousand

| No. | Name of customer | Sales amount | % of the annual total sales amount |
|-------|--|--------------|------------------------------------|
| 1 | Triton Container International Limited | 3,953,720 | 5.18% |
| 2 | Mediterranean Shipping Co. SA | 3,865,260 | 5.07% |
| 3 | Compagnie Maritime D’Affretement | 2,372,859 | 3.11% |
| 4 | Textainer Equipment Management Limited | 1,194,748 | 1.57% |
| 5 | Container Applications International | 1,103,183 | 1.44% |
| Total | | 12,489,770 | 16.37% |

Other information of major customers

Applicable Not Applicable

There was no relationship between the Company and the top five customers, and the Directors, Supervisors, senior management, core technicians, Shareholders holding more than 5% of shares, de facto controller and other related parties of the Company did not directly or indirectly own interests in the major customers.

Information of the major suppliers of the Company

| | |
|--|-----------|
| Total purchase amount of the top five suppliers (Unit: RMB thousand) | 5,570,997 |
| % of the total purchase amount of the top five suppliers in the annual total purchase amount | 8.94% |
| % of the total purchase amount of related parties among the top five suppliers in the annual total purchase amount | 0.00% |

Information of the top five suppliers of the Company

Applicable Not Applicable

Unit: RMB thousand

| No. | Name of supplier | Purchase amount | % of the annual total purchase amount |
|-------|--|-----------------|---------------------------------------|
| 1 | Shanghai Baosteel Pudong International Trading Co., Ltd. | 1,457,491 | 2.34% |
| 2 | Rizhao Steel Wire Co., Limited. | 1,255,155 | 2.01% |
| 3 | Angang Steel Company Limited | 1,149,757 | 1.85% |
| 4 | China National Heavy Duty Truck Group Company Limited and its subsidiaries | 916,558 | 1.47% |
| 5 | Shougang Jingtang United Iron and Steel Company Limited | 792,036 | 1.27% |
| Total | | 5,570,997 | 8.94% |

Other information of major suppliers

Applicable Not Applicable

There was no relationship between the Company and the top five suppliers, and the Directors, Supervisors, senior management, core technicians, Shareholders holding more than 5% of shares, de facto controller and other related parties of the Company did not directly or indirectly own interests in the major suppliers.

Management Discussion and Analysis

3. Management Discussion and Analysis

Unit: RMB thousand

| | 2017 | 2016 | Year-on-year change |
|-----------------|------|------|---------------------|
| Sales expenses | | | |
| Management fees | | | |

R&D investments of the Company

| | 2017 | 2016 | Proportion of changes |
|--|---------|---------|-----------------------|
| Number of R&D personnel (person) | 3,389 | 3,385 | 0.12% |
| Proportion of R&D personnel | 6.69% | 6.60% | 0.09% |
| Amount of R&D investments (RMB thousand) | 725,386 | 563,792 | 28.66% |
| Proportion of R&D investments in revenue | 0.95% | 1.10% | (0.15%) |
| Capitalised amount of R&D investments (RMB thousand) | 73,657 | 44,352 | 66.07% |
| Proportion of capitalised R&D investments in R&D investments | 10.15% | 7.87% | 2.28% |

Reasons for the significant change to the proportion of total R&D investments in revenue as compared with the previous year

Applicable Not Applicable

Reasons for the substantial change to the capitalisation rate of R&D investments and explanations for its reasonableness

Applicable Not Applicable

5. Cash flows

Unit: RMB thousand

| Item | 2017 | 2016 | Year-on-year change |
|--|-------------|-------------|---------------------|
| Subtotal of cash inflows of operating activities | 80,479,933 | 52,132,383 | 54.38% |
| Subtotal of cash outflows of operating activities | 76,204,554 | 49,790,764 | 53.05% |
| Net cash flows from operating activities | 4,275,379 | 2,341,619 | 82.58% |
| Subtotal of cash inflows of investing activities | 11,439,481 | 2,010,159 | 469.08% |
| Subtotal of cash outflows of investing activities | 13,019,586 | 8,864,814 | 46.87% |
| Net cash flows from investing activities | (1,580,105) | (6,854,655) | 76.95% |
| Subtotal of cash inflows of financing activities | 62,750,173 | 64,307,817 | (2.42%) |
| Subtotal of cash outflows of financing activities | 66,287,326 | 56,796,771 | 16.71% |
| Net cash flows from financing activities | (3,537,153) | 7,511,046 | (147.09%) |
| Net (decrease)/increase of cash and cash equivalents | (895,810) | 3,079,544 | (129.09%) |

Reasons for the major factors affecting significant changes in relevant information as compared with the same period of previous year

Applicable Not applicable

During the Reporting Period, the Group's cash inflows of operating activities and cash outflows of operating activities increased by 54.38% and 53.05% from the same period last year, respectively, mainly due to the increase in revenue from principal businesses and the corresponding increase in cost of sales during the Reporting Period. Cash inflows of investing activities and cash outflows of investing activities increased by 469.08% and 46.87% from the same period last year, respectively, mainly due to the wealth management products maturing and the increase in investment activities during the Reporting Period.

Reasons for major differences between the net cash flows of operating activities of the Company and the net profit of the Year during the Reporting Period

Applicable Not applicable

1. Formation of Sustainable Profit

✓ Applicable

Not applicable

Unit: RMB thousand

| | Amount | Proportion in total profit | Explanation on the formation | Sustainable or not |
|---|---------|----------------------------|--|--------------------|
| Investment income | 510,351 | 11.57% | Mainly due to the investment income generated from the disposal of the shares of CIMC Electricity Commerce of the year. | Not |
| Profit or loss from changes in fair value | 111,316 | 2.52% | Mainly due to changes in fair value of equity instrument held for trading and derivative financial instrument of the year. | Not |
| Asset impairment losses | 671,341 | 15.23% | Mainly due to the provision for bad debts of accounts receivable and Loss from diminution in value of inventories of the year. | Not |
| Non-operating income | 622,421 | 14.12% | Mainly due to the income received from relocation compensation of Prince Bay Land of the year. | Not |
| Non-operating expenses | 384,865 | 8.73% | Mainly due to the expense of relocation compensation of Prince Bay Land of the year. | Not |

1. Formation of Sustainable Profit

Unit: RMB thousand

| | As at the end of 2017 | | As at the end of 2016 | | Changes from previous year to this year | Description of material changes |
|---------------------|-----------------------|-------------------|-----------------------|-------------------|---|---|
| | Amount | % of total assets | Amount | % of total assets | | |
| Accounts receivable | 16,396,726 | 12.55% | 11,526,075 | 9.25% | 42.26% | Mainly due to the increase in amounts receivable arising from increased revenue of the Group for the Year as compared to that of last year. |

2. Assets and Liabilities Measured at Fair Value

2 Assets and Liabilities Measured at Fair Value

Please refer to “V. Items at Fair Value” of “Chapter II Summary of Accounting Data and Financial Indicators” for details on the Group’s assets and liabilities measured at fair value during the Reporting Period.

The measurement attributes of the main assets of the Company change or not during the Reporting Period

Yes No

Reasons for significant changes in measurement attributes of main assets of the Company and its impact on the operation results and financial condition during the Reporting Period:

Chapter V

2. 2017年12月31日止年度内，本公司及附属公司所持有的可供出售金融资产

2. 可供出售金融资产

✓ Applicable Not applicable

Unit: RMB thousand

| Name of investee | Principal activities | Investment methods | Investment amount | Shareholding | Source of funds | Partners | Investment period | Type of product | Progress made as at the balance sheet date | Expected gains | Investment gains or losses during the Reporting Period | Litigation involved | Disclosure date (if any) | Disclosure index (if any) |
|------------------|--|--------------------|-------------------|--------------|------------------|----------|-------------------|-----------------|--|----------------|--|---------------------|--------------------------|--------------------------------------|
| SOE | Manufacture of high-end equipment such as transportation and storage of LPG in the offshore oil and natural gas industry, offshore cranes, offshore modules and liquid cargo handling system | Acquisition | 799,800 | 100% | Self-owned funds | - | - | - | Completed | - | - | No | 2017.8.4
2017.8.16 | www.cninfo.com.cn
www.hkexnews.hk |
| Total | - | - | 799,800 | - | - | - | - | - | - | - | - | - | - | - |

3. 2017年12月31日止年度内，本公司及附属公司所持有的可供出售金融资产

Applicable ✓ Not applicable

4. 可供出售金融资产

(1) 可供出售金融资产

✓ Applicable Not applicable

Unit: RMB thousand

| Securities | Stock code | Abbreviation of stock name | Initial investment cost | Modes of accounting measurement | Book value at the beginning of the Reporting Period | Profit or loss arising from changes in fair value during the Reporting Period | Cumulative changes in fair value recognised in equity | Purchases for the Reporting Period | Sales for the Reporting Period | Profit or loss during the Reporting Period | Book value at the end of the Reporting Period | Classification in accounting | Source of funds |
|--|------------|----------------------------|-------------------------|---------------------------------|---|---|---|------------------------------------|--------------------------------|--|---|--|------------------|
| H Shares | 6198 | Qingdao Port | 128,589 | Fair value | 133,400 | 54,001 | - | - | - | - | 177,020 | Financial assets measured at fair value through profit or loss | Self-owned funds |
| H Shares | 368 | Sinotrans Ship H | 20,742 | Fair value | 3,860 | 1,421 | - | - | - | - | 4,985 | Financial assets measured at fair value through profit or loss | Self-owned funds |
| Other securities investments held at the end of the Reporting Period | | | - | - | 812 | 753 | - | - | - | 767 | 1,298 | - | - |
| Total | | | 149,331 | - | 138,072 | 56,175 | - | - | - | 767 | 183,303 | - | - |
| Announcement date of the Board approving securities investments | | | Nil | | | | | | | | | | |
| Announcement date of the general meeting approving securities investments (if any) | | | Nil | | | | | | | | | | |

(2) 可供出售权益工具投资

Unit: RMB thousand

| Stock code | Abbreviation of stock name | Initial investment amount | Number of shares held (thousand shares) | Shareholding percentage (%) | Book value at the end of the year | Profit or loss during the Reporting Period | Change in equity during the Reporting Period | Classification in accounting | Source of shareholding |
|---------------------------------|----------------------------|---------------------------|---|-----------------------------|-----------------------------------|--|--|-------------------------------------|------------------------|
| Australian Stock Exchange: OEL | Otto Energy | 13,480 | 13,521 | 1.19% | 3,995 | - | 568 | Available-for-sale financial assets | Stock acquisition |
| Hong Kong Stock Exchange: 206 | TSC Offshore Group Limited | 167,591 | 92,800 | 13.12% | 193,066 | (6,614) | (13,225) | Long-term equity investments | Stock acquisition |
| Hong Kong Stock Exchange: 00445 | CFE | 467,498 | 1,223,571 | 30.00% | 532,763 | (2,109) | 49,597 | Long-term equity investments | Stock acquisition |

(3)

✓ Applicable Not applicable

Unit: RMB thousand

| Name of derivatives investment operator | Relationship with the Group | Related party transaction or not | Type of derivatives investment | Initial investment amount of derivatives investment | Date of commencement | Date of termination | Investment amount at the beginning of the Reporting Period | Purchase during the Reporting Period | Sale during the Reporting Period | Provision for impairment (if any) | Investment amount at the end of the Reporting Period | Proportion of investment amount at the end of the Reporting Period to the net assets of the Company at the end of the Reporting Period | Actual profit or loss during the Reporting Period |
|---|-----------------------------|----------------------------------|-----------------------------------|---|----------------------|---------------------|--|--------------------------------------|----------------------------------|-----------------------------------|--|--|---|
| HSBC, Standard Chartered and other banks | Nil | No | Foreign exchange forward contract | - | 2017/2/23 | 2018/12/7 | 219,820 | - | - | - | 314,821 | 0.97% | 17,470 |
| HSBC, ANZ and other banks | Nil | No | Foreign exchange options contract | - | 2017/10/17 | 2018/11/15 | - | - | - | - | 270,588 | 0.83% | 1,316 |
| China Construction Bank, Deutsche Bank and other banks | Nil | No | Interest rate swap contract | - | 2011/1/6 | 2021/6/28 | 10,302,060 | - | - | - | 9,491,309 | 29.24% | 15,580 |
| ING | Nil | No | Currency swap contract | - | 2017/8/3 | 2018/6/29 | - | - | - | - | 65,359 | 0.20% | (1,351) |
| Total | | | | - | - | - | 10,521,880 | | | | 10,142,077 | 31.24% | 33,015 |
| Source of funds for derivatives investments | | | | Self-owned funds | | | | | | | | | |
| Litigation case (if applicable) | | | | N/A | | | | | | | | | |
| Disclosure date of announcement in relation to the consideration and approval of derivative investments by the Board (if any) | | | | 28 March 2017 | | | | | | | | | |
| Disclosure date of announcement in relation to the consideration and approval of derivative investments by the shareholders' general meeting (if any) | | | | N/A | | | | | | | | | |
| Risk analysis and explanations on risk control measures for positions in derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk and legal risk etc.) | | | | As of 31 December 2017, the derivative financial instruments held by the Group were mainly foreign exchange forwards, interest rate swap, foreign exchange options and currency swap contracts. The risks of interest rate swap contracts were closely related to the fluctuation of interest rates. The risks carried by foreign exchange forwards were connected with the market risks relating to exchange rates and the Group's cash flow certainty of foreign currency revenues in the future. The Group's control measures on the derivative financial instruments was mainly reflected in: making prudent selection and decision on the type and quantity of newly-added derivative financial instruments; as to derivatives transactions, the Group developed rigorous internal approval systems and operational processes, and clarified the approval and authorisation procedures for all levels involved, so as to control the associated risks. | | | | | | | | | |
| Changes in market prices or product fair values of derivatives invested during the reporting period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of fair values of derivatives | | | | From January to December 2017, the Group's profit or loss arising from changes in fair values of the derivative financial instruments was RMB33,015 thousand. Fair values of the derivative financial instruments of the Group were determined based on market price quotations from external financial institutions. | | | | | | | | | |
| Explanations on any significant changes in the Company's accounting policies and specific accounting principles on derivatives for the reporting period as compared with those for the last reporting period | | | | No | | | | | | | | | |
| Specific opinions of independent directors on the derivatives investments and risk control of the Company | | | | The Company invested in exchange rate derivatives for the purpose of the day-to-day international business operations of the Company in order to smooth or lower the uncertainty impact of the operations of the Company due to the change in exchange rates and interest rates while adhering to the fundamental principle of value-preserving and prohibiting speculative transaction. The Company has attached great importance and continuously enhanced the management of exchange rate derivative transactions as well as developed and continuously improved relevant management systems. The related approval process is compliant with the requirements of the laws and regulations and without prejudice to the interests of the Company and the shareholders, in particular, the minority shareholders. | | | | | | | | | |

5. Applicable Not applicable

(1) Applicable Not applicable

Unit: HK\$

| Year of raised proceeds | Method | Total proceeds raised | Total proceeds used in the Reporting Period | Total proceeds accumulatively used | Total proceeds raised with changes in usage during the Reporting Period | Accumulative proceeds raised with changes in usage | Proportion of accumulative total proceeds raised with changes in usage | Total amount of remaining proceeds raised | Use and direction for remaining proceeds raised | Raised proceeds not used in more than 2 years |
|-------------------------|------------------------------|---|---|---|---|--|--|---|---|---|
| 2015 | Issue of additional H Shares | 3,856,575,428
(equivalent to RMB3,227,639,131) | 571,793
(equivalent to RMB511,475) | 3,856,575,428
(equivalent to RMB3,227,639,131) | - | - | 0.00% | - | - | - |
| Total | - | 3,856,575,428
(equivalent to RMB3,227,639,131) | 571,793
(equivalent to RMB511,475) | 3,856,575,428
(equivalent to RMB3,227,639,131) | - | - | 0.00% | - | - | - |

Description of overall utilisation of proceeds raised

Such proceeds raised from the issue of additional H Shares have been fully used for supplementing the working capital of the Group.

(2) Applicable Not applicable

(3) Applicable Not applicable

Chapter V

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

Applicable Not applicable

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

Applicable Not applicable

Unit: RMB thousand

| Counterparty | Sold equity | Date of signing the sales agreement | Transaction price | Net profit contributed by the equity to the listed company from the beginning of the Period to the sale date | Influence on the Company by the sale | Proportion of the net profit contributed by the equity sale to the listed company to the total net profit | Pricing principle of equity sale | Connected transaction | Relationship with the counterparty | The involved equity has been transferred completely | Whether the schedule plan has been implemented; if not, describe the reason and the measures adopted by the Company | Date of disclosure | Disclosure index |
|--|---------------------------|-------------------------------------|-------------------|--|--------------------------------------|---|----------------------------------|-----------------------|------------------------------------|---|---|-----------------------|--------------------------------------|
| Shenzhen Hive Box Technology Co., Ltd. | CIMC ELECTRICITY COMMERCE | 2017.9.30 | 633,715 | (144,711) | 483,588 | 15% | - | No | No | Yes | Yes | 2017.9.30, 2017.10.30 | www.cninfo.com.cn
www.hkexnews.hk |

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

Applicable Not applicable

Please refer to the relevant information contained in “II. Review of Principal Businesses During the Reporting Period” under “Chapter IV Report of the Board” of this Report for the details of operations of principal subsidiaries and associates. The details on the subsidiaries that began and ceased to be consolidated into the accounts of the Group during the Reporting Period are set out in note V to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

Subsidiaries or associates contributing to more than 10% of the Company’s net profits

Unit: RMB thousand

| Company name | Company type | Principal activities | Registered capital | Total assets | Net assets | Revenues | Operating profits | Net profits |
|--------------|--------------|---|--------------------|--------------|------------|------------|-------------------|-------------|
| CIMC Enric | Subsidiary | Energy, chemical and liquid food equipment business | 17,793 | 14,167,219 | 5,860,978 | 10,671,276 | 481,090 | 420,181 |

Details on obtaining and disposing subsidiaries during the Reporting Period

✓ Applicable Not applicable

| Company name | Method of obtaining and disposing subsidiaries | Impact on overall production and operation and performance |
|---|--|--|
| Shenzhen CIMC Electricity Commerce and Logistics Technology Co., Ltd. | disposal of shareholding | No material impact on the Group's overall production and operations. The Group's investment gain for the Reporting Period is RMB483,588,000. |
| Highfield Development Corp. | disposal of shareholding | No material impact |
| SOE | acquisition of shareholding | No material impact |
| Zhengzhou Jinte Logistics Automation System Co., Ltd. | acquisition of shareholding | No material impact |
| Qingdao Ledar Chemical Co., Ltd | acquisition of shareholding | No material impact |
| 青島力達新橡製品有限公司 | acquisition of shareholding | No material impact |

Applicable ✓ Not applicable

For details of outlook for the future development of the Group, please refer to "III. Future Development and Outlook" of "Chapter IV Report of the Board" in this Report

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Register of reception of research, communications and interviews during the Reporting Period

| Date of reception | Venue of reception | Mode of reception | Type of party received | Party received | Brief description on research |
|-------------------|--------------------|--|------------------------|---|---|
| 9 January 2017 | Company | Telephone conference | Institution | Waterland Securities in Taiwan | Principal business conditions, investment progress, recent industrial developments and industry outlook |
| 13 February 2017 | Company | Field research | Institution | Perseverance Asset, China Merchants Securities and China Southern Fund | Same as above |
| 13 February 2017 | Company | TF Securities Telephone Conference on Shipping and Container Manufacturing | Institution | TF Securities and other organisations | Same as above |
| 14 February 2017 | Company | Bank of China Macro & Machinery Telephone Conference | Institution | Bank of China Securities and other organisations | Same as above |
| 15 February 2017 | Company | Field research | Institution | GF Securities, Shenyin & Wanguo Securities, Jiushi Capital (玖石資本), Ping An Securities, Zhongrong Fund, Shen Zhou Mu Investment, China Merchants Securities, Penghua Fund, Yinhua Fund, Hongtu Innovation (紅土創新), Pacific Securities, Hanming Asset, Orient Securities, Yunsong Capital (雲嵩資本) and Huaizhen Asset (懷真資產) | Same as above |
| 16 February 2017 | Company | Field research | Institution | Bosera Funds | Same as above |
| 17 February 2017 | Hong Kong | Luncheon and others | Institution | Alphalex Capital Management, Insight Capital Management, Deutsche Asset Management (HK), Templeton Asset Management, LBN Advisers, Value Partners | Same as above |
| 20 February 2017 | Company | Telephone conference | Institution | Funds Capital | Same as above |

| Date of reception | Venue of reception | Mode of reception | Type of party received | Party received | Brief description on research |
|-------------------|--------------------------------|--|------------------------|------------------------|---|
| 20 February 2017 | Company | Haitong Securities Machinery Strategies Telephone Conference | Institution | Haitong Securities | Same as above |
| 21 February 2017 | Company | Field research | Institution | Zheshang Fund | Same as above |
| 22 February 2017 | Shanghai Yangshan Logistics | Visit to plant in Shanghai | Institution | Morgan Stanley | Business conditions and industrial developments in container business |
| 24 February 2017 | Shanghai Yangshan Logistics | Visit to plant in Shanghai | Institution | GF Securities | Same as above |
| 24 February 2017 | Zhangjiagang Sanctum Cryogenic | Visit to plant in Zhangjiagang | Institution | Essence Securities | Business conditions and industrial developments in energy and chemical business |
| 11 April 2017 | Company | Field research | Institution | Open Door Capital | Principal business conditions, investment progress, recent industrial developments and industry outlook |
| 28 April 2017 | Company | Telephone conference | Institution | CICC and its customers | Exchange on Q1 results |
| 17 May 2017 | Company | Field research | Institution | Essence Securities | Principal business conditions, investment progress, recent industrial developments and industry outlook |

Chapter V

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| Date of reception | Venue of reception | Mode of reception | Type of party received | Party received | Brief description on research |
|-------------------|----------------------|---|------------------------|----------------|-------------------------------|
| 18 May 2017 | Kunshan and Shanghai | Visit to plants in Kunshan and Shanghai | Institution | | |

| Date of reception | Venue of reception | Mode of reception | Type of party received | Party received | Brief description on research |
|-------------------|--------------------|-------------------|----------------------------|--|---|
| 15 September 2017 | Company | Field research | Institution | China Southern Fund, Huachuang Fund | Principal business conditions, investment progress, recent industrial developments and industry outlook |
| 20 September 2017 | Company | Field research | Institution | Taikang Assets, TF Securities, Sealand Securities | Same as above |
| 14 November 2017 | Shenzhen | Field research | Institution and individual | Baoying Fund, Ping Yi Capital, GF Securities, 長城財富, CITIC Securities, Essence Securities, TF Securities, China Southern Fund, CICC, UBS, Zhongtai, Industrial Securities, China Orient Asset Management, 亞商投資, China Life Insurance, Haitong Securities and Sealand Securities | Visit to container and vehicle plants |
| 1 December 2017 | Shenzhen | Field research | Institution | China Merchants Securities and its customers | Principal business conditions, investment progress, recent industrial developments and industry outlook |
| 5 December 2017 | Shenzhen | Field research | Institution | Northeast Securities and its customers | Same as above |
| 8 December 2017 | Shenzhen | Field research | Institution | Founder Securities and its customers | Same as above |
| 20 December 2017 | Shenzhen | Field research | Institution | Sealand Securities and its customers | Same as above |
| 22 December 2017 | Shenzhen | Field research | Institution and individual | BOC International, Taikang AMC, Zhongtai Machinery, 景泰利豐 customers
Orient Asset Maties, TF Securities, China Southern | |



TRANSPORT ROAD

運輸車輛業務
道路



INTEGRATION

 BUSINESS



Chapter VI

Financial Resource Reviews

The following contents are the financial resource reviews prepared in accordance with the relevant provisions of the Hong Kong Listing Rules. The following discussion and analysis shall be read together with other chapters of this Report and the audited financial statements of the Group and notes thereto prepared in accordance with CASBE.

Revenue and Profit

During the Reporting Period, the Group recorded revenue of RMB76,299.930 million (2016: RMB51,111.652 million) and profit attributable to Shareholders and other equity holders of the Company of RMB2,509.242 million (2016: RMB539.660 million), representing a year-on-year increase of 49.28% and 364.97%, respectively. For details of segment results, please refer to “II. Review of Principal Businesses During the Reporting Period” under “Chapter IV Report of the Board”, “2. Income and Cost” of “II. Analysis of Principal Businesses” of “Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules” and note IV. 50 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

Cost of Sales

For details of the Group’s cost of sales during the Reporting Period, please refer to “2. Income and Cost” of “II. Analysis of Principal Businesses” of “Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules” and note IV. 50 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

Gross Profit Margin

The overall gross profit margin of the Group in 2017 was 18.36%, remaining basically stable over previous year. Among all segments, containers, airport facilities equipment, financial business and heavy trucks segments saw an increase in their gross profit margins. The gross profit margin level of road transportation vehicles and energy, chemical and liquid food equipment remained basically stable, while those of offshore engineering, logistics service and real estate segments recorded a

decline. For detailed analysis, please refer to “II. Review of Principal Businesses During the Reporting Period” under “Chapter IV Report of the Board” in this Report.

The table below lists the gross profits and gross profit margins of the Group’s major segments during the following periods:

Unit: RMB thousand

| Segment | 2017 | | 2016 | |
|--|-------------------|-------------------------|------------------|-------------------------|
| | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) |
| Container | 3,901,500 | 15.58% | 1,177,195 | 10.64% |
| Road transportation vehicle | 3,581,717 | 18.35% | 2,764,281 | 18.81% |
| Energy, chemical and liquid food equipment | 2,198,743 | 18.56% | 1,775,192 | 18.98% |
| Offshore engineering | (32,719) | (1.32%) | 437,815 | 10.17% |
| Airport facilities equipment | 749,391 | 20.84% | 639,110 | 19.89% |
| Logistics service | 789,197 | 9.63% | 778,894 | 10.93% |
| Financial business | 1,444,348 | 61.71% | 1,290,337 | 56.04% |
| Real estate | 424,836 | 42.20% | 341,309 | 47.20% |
| Heavy truck | 132,473 | 5.16% | 32,694 | 1.89% |
| Others | 186,215 | 5.97% | 252,046 | 11.36% |
| Combined offset | 631,514 | - | 140,762 | - |
| Total | 14,007,215 | 18.36% | 9,629,635 | 18.84% |

A

A

For details of the technology development costs, sales costs, management expenses and finance expenses of the Group during the Reporting Period, please refer to “3. Expenses” and “4. Investment in R&D” of “II. Analysis of Principal Businesses” of “Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules and note IV. 52, 53, 54 and 55 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

A

During the Reporting Period, the Group’s non-operating income amounted to RMB622.421 million (2016: RMB761.241 million), representing a year-on-year decrease of 18.24%, mainly due to the Group reclassifying government grants to other gains in accordance with the revised “Accounting Standards for Business Enterprises No. 16 – Government Grants” and comparable data of 2016 not being restated during the Reporting Period. For details, please refer to note II. 33 and note IV. 61 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

A

During the Reporting Period, the Group made provisions for asset impairment totalling RMB880.764 million (2016: RMB2,215.199 million), representing a year-on-year decrease of 60.24%, mainly due to the significant provision made by CIMC Enric, a non-wholly-owned subsidiary of the Group, for the termination of the acquisition of the equity interest in SOE in 2016. For details, please refer to note IV. 23 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

A

During the Reporting Period, the Group’s income tax expense amounted to RMB1,250.826 million (2016: RMB967.068 million), representing a year-on-year increase of 29.34%. For details, please refer to note IV. 63 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

In 2017, the Group’s profit attributable to minority Shareholders amounted to RMB649.173 million (2016: RMB195.323 million), representing a year-on-year increase of 232.36%, mainly due to the changes in profits of subsidiaries with minority Shareholders.

A

The Group’s cash at bank and on hand primarily consist of cash and bank deposits. As at 31 December 2017, the Group’s cash at bank and on hand amounted to RMB5,596.314 million (31 December 2016: RMB6,325.998 million), representing a year-on-year decrease of 11.53%. Details are set out in note IV. 1 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

For details of the cash flow data of the Group during the Reporting Period, please refer to “5. Cash Flows” of “II. Analysis of Principal Businesses” of “Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules” and note IV. 65 and IV. 66 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

The Group’s development funds primarily consist of cash derived from operation and bank loan. The Group’s cash demands mainly come from production and operation, repayment of matured liability, capital expenditure, payment of interests and dividends, and other unexpected cash demands. The Group has always adopted prudent financial management policies and maintained sufficient and appropriate cash on hand to repay the bank loans falling due and ensure business development.

Chapter VI

As at 31 December 2017, the Group's short-term borrowings, long-term borrowings, debentures payable and other current liabilities (issuance of commercial papers) in aggregate amounted to RMB52,014.876 million (31 December 2016: RMB55,932.185 million). Details of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note IV. 25, 36, 37, 38 and 39 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this report.

As at 31 December 2017, the Group's short-term borrowings, long-term borrowings, debentures payable and other current liabilities (issuance of commercial papers) in aggregate amounted to RMB52,014.876 million (31 December 2016: RMB55,932.185 million). Details of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note IV. 25, 36, 37, 38 and 39 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this report.

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Unit: RMB thousand

| | As at 31 December 2017 | As at 31 December 2016 |
|---|------------------------|------------------------|
| Short-term borrowings | 15,317,347 | 15,729,787 |
| Non-current borrowings due within one year | 3,982,626 | 3,525,710 |
| Debentures payable due within one year | - | - |
| Long-term borrowings | 24,140,168 | 27,023,222 |
| Debentures payable | 7,986,500 | 7,986,500 |
| Other current liabilities (issuance of commercial papers) | 588,235 | 1,666,966 |
| Total | 52,014,876 | 55,932,185 |

Interest capitalised by the Group in 2017 was RMB517.890 million (2016: RMB507.365 million).

The Group's bank borrowings are mainly denominated in U.S. dollars, with the interest payments computed using fixed rates and floating rates. As at 31 December 2017, the Group's bank borrowings included fixed-rate borrowings of approximately RMB8,728.021 million (31 December 2016: RMB8,123.960 million) and floating-rate borrowings of approximately RMB34,712.120 million (31 December 2016: RMB38,154.759 million). The long-term borrowings were mainly due within five years. For details, please refer to note IV. 38 and note XIV. 3 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this report.

The Group's issued bonds are mainly denominated in RMB, with the interest payments computed using fixed rates. As at 31 December 2017, the remaining fixed-rate bonds issued by the Group amounted to RMB7,986.500 million (31 December 2016: RMB7,986.500 million). For details, please refer to note IV. 39 and note XIV. 3 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this report.

The Group's capital structure consists of equity interests attributable to Shareholders and liabilities. As at 31 December 2017, the Group's equity interests attributable to Shareholders amounted to RMB43,237.434 million (31 December 2016: RMB39,134.792 million); the total liabilities amounted to RMB87,366.945 million (31 December 2016: RMB85,479.956 million) and the total assets amounted to RMB130,604.379 million (31 December 2016: RMB124,614.748 million). For the significant changes in the Group's assets and liabilities during the Reporting Period, please refer to "IV. Assets and Liabilities" of "Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules" in this Report.

The Group's capital structure consists of equity interests attributable to Shareholders and liabilities. As at 31 December 2017, the Group's equity interests attributable to Shareholders amounted to RMB43,237.434 million (31 December 2016: RMB39,134.792 million); the total liabilities amounted to RMB87,366.945 million (31 December 2016: RMB85,479.956 million) and the total assets amounted to RMB130,604.379 million (31 December 2016: RMB124,614.748 million). For the significant changes in the Group's assets and liabilities during the Reporting Period, please refer to "IV. Assets and Liabilities" of "Chapter V Operation Discussion and Analysis Prepared in Accordance with the Domestic Securities Regulatory Rules" in this Report.

At the end of the Reporting Period, the Group's gearing ratio was 66.89% (31 December 2016: 68.60%), representing a year-on-year decrease of 1.71 percentage points. The Group is committed to maintain an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for Shareholders. (Note: the gearing ratio is calculated based on the Group's total debts divided by its total assets as at the respective dates.)

Chapter VI Risk Management

Foreign Exchange Risk

The majority currency of the Group's business revenue is U.S. dollars, while most of its expenditure is made in RMB. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a variety of currencies. However, Renminbi is still regulated in capital projects. As the exchange rates of RMB are affected by domestic and international economic and political situations, and demand for and supply of RMB, and the future exchange rates of Renminbi against other currencies may vary significantly from the current exchange rates, the Group is exposed to potential foreign exchange risk arising from the exchange rate fluctuation in RMB against other currencies, which may affect the Group's operating results and financial condition. The management of the Group has closely monitored its foreign exchange risk and taken appropriate measures to avoid foreign exchange risk. For details of the foreign exchange hedging contracts held by the Group during the Reporting Period, please refer to note IV. 2 and 26 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Interest Rate Risk

The Group is exposed to the market interest rate change risk relating to its interest-bearing bank loans and other borrowings. To minimise the impact of interest rate risk, the Group entered into interest rate swap contracts with certain banks. As at 31 December 2017, the Group held 19 unsettled interest rate swap contracts denominated in U.S. dollars, the nominal value of which amounted to a total of approximately US\$1,452.170 million, which will be expired from 1 June 2018 to 28 June 2021, respectively. As at 31 December 2017, the fair value of the interest rate swap contracts of the Group amounted to RMB317.924 million. Transaction costs on realisation have not been considered when calculating the fair value. For details, please refer to note IV. 2 and 26 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

The Group's credit risk is primarily attributable to cash at bank and on hand, receivables and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by the management on an ongoing basis. For details, please refer to note XIV. 1 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Capital Expenditure Commitments

As at 31 December 2017, the Group had capital expenditure commitments of approximately RMB142.718 million (31 December 2016: 417.786 million), which was mainly used as fixed assets purchase contracts entered but not performed or performed partially, external investment contracts entered but not performed or performed partially and vessels manufactured for sales or lease. For details, please refer to note XI. 1(1) to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Subsidiaries, Jointly Controlled Companies and Associated Companies

For the subsidiaries, jointly controlled companies and associated companies of the Group as at 31 December 2017, please refer to note IV. 13 and note VI to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report for details.

Chapter VI

Assets and Liabilities

Assets

As at 31 December 2017, the total restricted assets of the Group amounted to RMB9,815.725 million (31 December 2016: RMB9,756.883 million). For details of the Group's pledge of assets, please refer to note IV. 24 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Acquisitions and Disposals

During the Reporting Period, the Group completed the acquisition of Zhengzhou Jinte Logistics Automation System Co., Ltd., Qingdao Ledar Chemical Co., Ltd, 青島力達新橡膠製品有限公司 and SOE at a total consideration of RMB849.139 million. For details, please refer to note V to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report. During the Reporting Period, the Group disposed of 78.236% equity interests held in CIMC Electricity Commerce. The total amount of the disposal was RMB633.715 million. For details, please refer to note V to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Operating and Capital Expenditures

The Group's operating and capital expenditures are mainly financed by self-owned funds and external financing. Concurrently, the Group will take a prudent attitude in order to enhance its future operating cash flow. According to the changes in economic situation and operating environment, as well as the needs of the Group's strategic upgrade and business development, the capital expenditure of the Group is expected to be approximately RMB9.1 billion in 2018, which will be mainly used for purchase and construction of fixed assets, intangible assets and other long-term assets. The Group will continue to consider various types of financing arrangements.

Contingent Liabilities

As at 31 December 2017, the Group had major contingent liabilities of RMB125.286 million (31 December 2016: RMB83.248 million). For details, please refer to note X. 1 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

Share Issuance

As at 31 December 2015, the Company has issued a total of 286,096,100 new H Shares to COSCO Container Industries Limited, Broad Ride Limited and Promotor Holdings Limited at HK\$13.48 per H Share, and the proceeds raised were approximately HK\$3,857 million (equivalent to RMB3,228 million). For details of the use of raised proceeds in the year as at 31 December 2017, please refer to "5. Use of Raised Proceeds" of "V. Investments" under "Chapter V Management Discussion and Analysis Prepared in Accordance with the Domestic Regulatory Securities Rules" in this Report.

Employees

As at 31 December 2017, there were approximately 50,689 employees of the Group (31 December 2016: 51,299 employees) in the PRC. For composition of the employees, please refer to "VII. Employees of the Company" of "Chapter X Information on Directors, Supervisors, Senior Management and Employees" in this Report. The total staff cost during the Reporting Period, including Directors' remuneration, contribution to the retirement benefit schemes and share option incentive schemes, amounted to approximately RMB7,402.385 million (2016: RMB5,925.685 million). For details, please refer to note IV. 55 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report.

The Group provides salary and bonus payment to its employees based on their performance, qualification, experience and market conditions. The share option incentive scheme aims to recognise the previous contribution of Directors and core employees to the Group and reward them for their long-term services. Other benefits include contribution to the governmental pension schemes and insurance plans for employees in mainland China. The Group regularly reviews its remuneration policies, including Directors' remuneration payable, and strives to formulate an improved incentive and assessment mechanism based on the operating results of the Group and market conditions.

Human Resources

Human Resources Training

The Company has built a multi-level and composite talent training system with its core human resources philosophy of “people-oriented and mutual business”, including: new employees training, general skills training, professional training, leadership training programme and international talent training programme. Meanwhile, the Group has also provided its employees with ample career development opportunities. The Group, based on its requirements on the talents according to its strategic development, has built its employees’ career development passage (such as management, engineering technology, lean, finance and etc.) to conduct effective career management and clarify career development direction for its employees with a view to increasing their capabilities.

Basic Pension Insurance

The Group has provided the basic pension insurance for the employees arranged by local labour and social security bureaus. The Group makes contributions to the pension insurance at the applicable rates monthly based on the amounts stipulated by the government organisation. When employees retire, the local labour and social security bureaus are responsible for the payment of the basic pension benefits to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognised as liabilities during the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. For details, please refer to note II. 24 and note IV. 55 to “Chapter XIII Financial Statements Prepared in Accordance with CASBE” in this Report.

Share Option Incentive Scheme

The implementation of share option incentive scheme is helpful to establish an interest sharing and restraint mechanism among the directors, the management and the core employees, by which the management can better balance its long-term goal and short-term goal so as to attract and retain outstanding management candidates and key employees and stimulate sustainable value of incentives which will serve to guarantee the stable development of the Company in the long term and enhance its competitive strength. For details of the share option incentive scheme of the Company and its subsidiaries, please refer to “XV. Implementation of the Company’s Share Option Incentive Scheme, Employee Stock Ownership Scheme or Other Employee Incentive Measures” of “Chapter VIII Significant Events” in this Report.

Market Risks

For details of the Group’s market risks, please refer to “4. Main Risk Factors for Future Development of the Group” of “III. Future Development and Outlook” under “Chapter IV Report of the Board” in this Report.

ENERGY



AND
LIQUID
FOOD

能源、化工及液態
食品裝備業務



INTEGRATED BUSINESS



Chapter VII

Dear Shareholders,

During the year of 2017, the Supervisory Committee of the Company has performed and discharged its duties and responsibilities conscientiously in accordance with the relevant provisions of the PRC Company Law and the Articles of Association.

| Session of meeting | Date | Supervisor attended | Name of proposal | Resolution | Searching index for the resolution published on designated websites | Disclosure date of the information cited in the resolution |
|--|-----------|--|---|--|--|--|
| The 1st meeting in 2017 of the 8th session | 2017.3.27 | Zhang Mingwen
Xiong Bo
Lv Shengzhou (authorizing Zhang Mingwen to vote on behalf of him) | <ol style="list-style-type: none"> 1. Proposal regarding the "2016 Report of the Operation of the Supervisory Committee"; 2. Proposal regarding the 2016 Annual Report; 3. Proposal regarding the profit distribution and dividend payment plan for 2016; 4. Proposal regarding the execution of ordinary related-party transactions/ continuing connected transaction in 2016; 5. Proposal regarding the 2016 Special Report on the Deposit and Actual Use of Raised Proceeds 6. Proposal regarding the provision for impairment of assets for 2016; 7. Proposal regarding the Self-assessment Report on CIMC's Internal Control for 2016; 8. Others | <ol style="list-style-type: none"> 1. Resolution concerning the first meeting in 2017 2. Audit opinion on the state of daily related-party transactions/ continuing connected transactions in 2016 | www.cninfo.com.cn
www.hkexnews.hk | 2017.3.28 |

| Session of meeting | Date | Supervisor attended | Name of proposal | Resolution | Searching index for the resolution published on designated websites | Disclosure date of the information cited in the resolution |
|--|-----------|---|--|--|---|--|
| The 2nd meeting in 2017 of the 8th session | 2017.4.21 | Zhang Mingwen
Lv Shengzhou
Xiong Bo | <ol style="list-style-type: none"> Proposal regarding the adjustment of the number of A shares to be issued, the issuance price, the price determination date and the extension of the validity period of the resolution and the authorisation of the general meeting; Proposal regarding the revised plan for the non-public issuance of A shares by the company; Proposal regarding the feasibility report on the use of proceeds raised from the non-public issuance of A shares by the company (2017 amendment); Proposal regarding the use of proceeds from previous fundraising activities by the Company; Proposal regarding the impact of dilution of current re. | <ol style="list-style-type: none"> | <p>1. Zhang Mingwen</p> <p>5. Lv Shengzhou</p> <p>2017.4.21</p> <p>0280174211001130.24064333 TD(Company)Ton-public issuance</p> | 2017 of the 8th session |



3. A. T.

Chapter VIII Significant Events



Formulation, implementation or adjustment of profit distribution policy of ordinary shares (especially the cash dividend policy) during the Reporting Period

✓ Applicable Not applicable

The Company has adopted a stable dividend distribution policy in strict compliance with its relevant commitments in Articles of Association. At present, the Company distributes dividend to Shareholders once a year, namely the final dividend, and the total profit distributed in the form of cash dividend shall not be less than 30% of the average annual distributable profit of the Company in the last three years. The Company's stable and active dividend distribution policy has received welcome from its Shareholders and fully protects the interests of its minority Shareholders. The Articles of Association specifically stipulates the Company's dividend distribution: the Company's final dividend will be determined at the general meeting by way of ordinary resolutions. The Company is in strict compliance with all relevant provisions under the Articles of Association over the years for its decision-making on dividend distribution. The Company strives to achieve outstanding operating results and a good return for its Shareholders.

Both of the Company's plan for profit distribution and plan for conversion of capital reserves into share capital comply with the Company's Articles of Association and other relevant provisions during the Reporting Period.

Particulars of Cash Dividend Policy

| | |
|---|-----|
| Was it in compliance with the requirements of the Company's Articles of Association and the resolution of the general meeting: | Yes |
| Was the dividend distribution criteria and proportion well-defined and clear: | Yes |
| Was the related decision-making process and mechanism in place: | Yes |
| Did independent Directors fulfil their duties and play their roles: | Yes |
| Were the minority Shareholders given opportunities to sufficiently voice their opinions and make requests and were their legal interests fully protected: | Yes |
| Were conditions and procedures legal and transparent in respect of the cash dividend policy with adjustments or changes: | Yes |

The Company's profit distribution plans and the conversion plans of conversion of capital reserves into share capital in the past three years (the Reporting Period inclusive):

- The dividend payment plan for the year of 2017: based on the total share capital of the Company as at the dividend payment record date for the year of 2017, we distributed RMB2.70 in cash (including tax) for every 10 shares. For illustration only, if calculated based on the total share capital of 2,982,889,136 shares of the Company as at 31 December 2017, it is expected that a total dividend of RMB805.380 million will be distributed. The proposed dividend is expected to be payable on or around 20 July 2018. The annual dividend-distribution plan for 2017 shall be submitted to the Company's annual general meeting for consideration and approval.
- The dividend payment plan for the year of 2016: based on the total share capital of the Company as at the dividend payment record date for the year of 2016, we distributed RMB0.6 in cash (including tax) for every 10 shares, amounting to a total dividend of RMB179.837 million.
- The dividend payment plan for the year of 2015: based on the total share capital of the Company as at the dividend payment record date for the year of 2015, we distributed RMB2.20 in cash (including tax) for every 10 shares, amounting to a total dividend of RMB654.822 million.

Unit: RMB thousand

| Year | Amount of cash dividend (including tax) | Net profit attributable to ordinary Shareholders and other equity holders of the Company in the consolidated statements of the year declaring | % of net profit attributable to ordinary Shareholders and other equity holders of the Company in the consolidated statements | Amount of cash dividend in other ways | % of cash dividend in other ways |
|-----------------|---|---|--|---------------------------------------|----------------------------------|
| 2017 (Proposal) | 805,380 | 2,509,242 | 32.10% | 0 | 0 |
| 2016 | 179,837 | 539,660 | 33.32% | 0 | 0 |
| 2015 | 654,822 | 2,026,613 | 32.31% | 0 | 0 |

The Company recorded a profit during the Reporting Period, and the profit distributable to the ordinary Shareholders of the Company was positive. However, the Company did not propose a cash dividend distribution plan of ordinary shares

Applicable Not applicable



✓ Applicable Not applicable

| | |
|--|---------------|
| Number of bonus shares for every 10 shares (share) | 0 |
| Amount of dividend for every 10 shares (RMB) (including tax) | 2.70 |
| Number of shares converted for every 10 shares (share) | 0 |
| Basis of share capital of distribution plan (share) | 2,982,889,136 |
| Total cash dividend (RMB) (including tax) | 805,380,067 |
| Distributable profit (RMB thousand) | 2,189,653 |
| % of cash dividend in total profit distribution | 100% |

Description of cash dividend

Where the Company is in its developing stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits. Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits.

Description of details of profit distribution or share capital increase by way of transfer from capital reserves

Based on the Group's 2017 operation results and taking into account the Group's overall conditions of financial position and cash flows, the Board recommended a final dividend of RMB0.27 per share (including applicable taxes) for the year of 2017. The proposed distribution plan for the final dividend of 2017 is subject to Shareholders' approval at the annual general meeting.

1. **A**

✓ Applicable Not applicable

| Commitment | Promisor | Contents of commitment | Date of commitment | Commitment period | Implementation |
|--|-------------|---|--------------------|---|----------------|
| Other commitments made to minority Shareholders of the Company | The Company | In accordance with the relevant regulations, domestic residents are not eligible to purchase foreign stocks directly, so, domestic residents can only hold or sell its H Shares of the Company of which they legally possess due to the change of listing location of stocks of the Company, they are not eligible to subscribe the shares of the Company and other H shares or other overseas stocks, and also after the sales of H shares of the Company, the sales income must be timely transferred to the mainland. The Company promises domestic residents that before they are free to purchase overseas stocks, the Company will not finance by the means of allotment. | 2012/8/15 | Before domestic residents are free to buy overseas stocks | In progress |
| | The Company | Shareholders' bonus return plan (2016 to 2018) | 2016/4/8 | 2016 to 2018 | In progress |
| The commitment is fulfilled in a timely manner or not | Yes | | | | |

2. **A**

Applicable ✓ Not applicable



Applicable Not applicable

There was no appropriation of funds of the listed Company for non-operating purposes by controlling Shareholders and their related parties during the Reporting Period.



Applicable Not applicable



Applicable Not applicable

Significant changes in accounting policy: government grants and non-current assets held for sale, disposal groups and discontinued operation

As considered and approved by the Board and the Supervisory Committee of the Company on 28 August 2017, the Company decided to change its accounting policy in accordance with the requirements of the Notice on Issuing the Revised "Accounting Standards for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) and the Notice on Issuing the "Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation" (Cai Kuai [2017] No. 13), both issued by the Ministry of Finance. The changes came into force on 12 June 2017 and 28 May 2017 respectively pursuant to related regulations.

Subsequent to the Change in Accounting Policy, (1) the Company will adopt the "Accounting Standards for Business Enterprises No. 16 – Government Grants (Cai Kuai [2017] No. 15)". The government grants relating to the ordinary activities of enterprises shall be included in "other income" based on the nature of economic business; the government grants not relating to the ordinary activities of enterprises shall be included in "non-operating income and expense". For government grants as at 1 January 2017, the prospective application method shall be applied, and for new government grants incurred from 1 January 2017 to the date on which the standards came into force, adjustments shall be made according to the standards. The comparative financial statements for the year of 2016 were not restated. (2) the Company will realize the "Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation". The change in this accounting policy has no material impact on the Group's financial statements for the year of 2017. Please refer to note II. 33, note IV. 8, note IV. 42 and note IV. 59 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report for details.



Applicable Not applicable

Please refer to note V to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" as set out in this Report for enterprise merger and newly set up companies.

The firms of accountants engaged currently

| | |
|---|---|
| The engaged firm of accountants in the mainland | PricewaterhouseCoopers Zhong Tian LLP |
| Payment for the accountants | RMB13,460,000
(including: the auditing fees amounting to RMB11,660,000 and the auditing fees for the internal control amounting to RMB1,800,000) |
| Continuing service year of the accountants | 6 years |
| CPA of the accountants | Zhou Weiran, Cai Zhifeng |

Whether to appoint another accounting firm during the Reporting Period

Yes No

The Company did not change its auditor over the past five years.

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes

Applicable Not applicable

During the Reporting Period, the Company engaged PricewaterhouseCoopers Zhong Tian LLP as its accounting firm for internal control and auditing purposes. The auditing fees for internal control for the year 2017 were RMB1.80 million.

Applicable Not applicable

Applicable Not applicable

During the Reporting Period, there were no bankruptcy or reorganisation related issues of the Company.

Applicable Not applicable

During the Reporting Period, there were no material lawsuits or arbitrations of the Company

Applicable ✓ Not applicable

During the Reporting Period, there were no penalties or remedies of the Company.

During the Reporting Period, there was no effective judgment of the court failed to be satisfied by the Company or relatively large amount of debts due and outstanding.

1. A

In order to establish and improve the incentive-constraint mechanism, and effectively combine the interests of the Shareholders, the Company and its employees, the AS 9vof theAND w 9111ive0 k/GS06 Twd by the Compac9 99

Movements of the share options granted by the Company in the year as at 31 December 2017 are set out as below:

| | Date of grant | Number of underlying shares comprised in A share options | | | | | | | | |
|---------------------------------|---------------|--|-------------------------------------|--|-------------------------|-----------------------------------|--------------------------------|--|--------------------------------|-------------------------|
| | | Balance as at 1 January 2017 (share) | Exercisable during the year (share) | Transferred to/from other categories during the year (share) | Granted during the year | Exercised during the year (share) | Lapsed during the year (share) | Balance as at 31 December 2017 (share) | Exercise price per share (RMB) | Exercise period |
| Director Mai Boliang | 2010.9.28 | 2,850,000 | 2,850,000 | - | - | - | - | 2,850,000 | 10.49 | 2015.6.2 to 2020.9.27 |
| Other senior management (Total) | 2010.9.28 | 5,662,000 | 5,662,000 (Note) | (351,250) | - | - | - | 5,310,750 | 10.49 | 2015.6.2 to 2020.9.27 |
| Other employees | 2010.9.28 | 13,051,890 | 13,051,890 (Note) | 351,250 | - | 3,821,050 | - | 9,582,090 | 10.49 | 2015.6.2 to 2020.9.27 |
| | 2011.9.22 | 3,665,650 | 3,665,650 | - | - | 491,100 | - | 3,174,550 | 16.02 | 2015.10.24 to 2020.9.27 |
| Total | - | 25,229,540 | 25,229,540 | - | - | 4,312,150 | - | 20,917,390 | - | - |

Note:

During the Reporting Period, no share option of the 2009 Enric Share Options and the 2011 Enric Share Options were lapsed. 1,384,000 share options of the 2014 Enric Share Options were lapsed. The table below sets out the changes in the share options granted under the share option incentive plan of CIMC Enric for the year ended 31 December 2017:

| Number of underlying shares comprised in share options | | | | | | | | | |
|--|------------|-----------|----------|-----------|-------------|----------|-----------|------------|-----------------------|
| | | Balance | Granted | Exercised | Transferred | Lapsed | Balance | Exercise | Exercise |
| | Date of | as at | during | during | to/from | during | as at 31 | price per | period |
| | Grant | 1 January | the year | the year | other | the year | December | share HK\$ | |
| | | 2017 | | | categories | | 2017 | | |
| | | | | | during | | | | |
| | | | | | the year | | | | |
| Directors of CIMC Enric | | | | | | | | | |
| Gao Xiang | 2009.11.11 | 1,000,000 | - | - | - | - | 1,000,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 500,000 | - | - | - | - | 500,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 400,000 | - | - | - | - | 400,000 | 11.24 | 2016.06.05-2024.06.04 |
| Yang Xiaohu | 2009.11.11 | 164,000 | - | - | - | - | 164,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 200,000 | - | - | - | - | 200,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 400,000 | - | - | - | - | 400,000 | 11.24 | 2016.06.05-2024.06.04 |
| Jin Jian long | 2009.11.11 | 800,000 | - | - | - | - | 800,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |
| Yu Yuqun | 2009.11.11 | 698,000 | - | - | - | - | 698,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |
| Jin Yongsheng | 2009.11.11 | 500,000 | - | - | - | - | 500,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |
| Wong Chun Ho | 2009.11.11 | 500,000 | - | - | - | - | 500,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |

Number of underlying shares comprised in share options

| | Date of Grant | Balance as at 1 January 2017 | Granted during the year | Exercised during the year | Transferred to/from other categories during the year | Lapsed during the year | Balance as at 31 December 2017 | Exercise price per share HK\$ | Exercise period |
|-------------------------|---------------|------------------------------|-------------------------|---------------------------|--|------------------------|--------------------------------|-------------------------------|-----------------------|
| Tsui Kei Pang | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |
| Zhang Xueqian | 2011.10.28 | 300,000 | - | - | - | - | 300,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 300,000 | - | - | - | - | 300,000 | 11.24 | 2016.06.05-2024.06.04 |
| Employees of CIMC Enric | 2009.11.11 | 8,422,000 | - | (246,000) | - | - | 8,176,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 22,172,000 | - | (3,304,000) | - | - | 18,868,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 29,254,000 | - | - | (1,384,000) | - | 27,870,000 | 11.24 | 2016.06.05-2024.06.04 |
| Other participants | 2009.11.11 | 8,330,000 | - | (2,000,000) | - | - | 6,330,000 | 4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 1,882,000 | - | (264,000) | - | - | 1,618,000 | 2.48 | 2013.10.28-2021.10.27 |
| | 2014.06.05 | 4,750,000 | - | - | - | - | 4,750,000 | 11.24 | 2016.06.05-2024.06.04 |
| Total | - | 83,572,000 | - | (5,814,000) | (1,384,000) | - | 76,374,000 | - | - |

3.

An equity trust scheme of CIMC Vehicle (Group) was considered and approved at the general meeting of the Company on 17 October 2007 for implementation. Pursuant to the scheme, the senior management related to the vehicle business of the Company and the key employees of CIMC Vehicle (Group) held 20% equity interests in CIMC Vehicle (Group) by capital increase of RMB220.700 million through China Resources SZITIC Trust Co., Ltd. On 31 May 2016, the 2015 Annual General Meeting of the Company considered and approved the Resolution on Amendment to the Equity Trust Scheme (Draft) of CIMC Vehicle (Group) Co., Ltd.. On 29 December 2017, the Equity Trust Scheme of CIMC Vehicle (Group) has been terminated upon the expiry of the trust period.

1. A, A, A, A

1. ...

(1) ...

Unit: RMB thousand



| Related party | Relationship with the Group | Type of the connected transaction | Details of the connected transaction | Pricing principle | Price |
|---------------|-----------------------------|-----------------------------------|--------------------------------------|-------------------|-------|
|---------------|-----------------------------|-----------------------------------|--------------------------------------|-------------------|-------|

| Related party | Relationship with the Group | Type of the connected transaction | Details of the connected transaction | Pricing principle | Price | Amount | Proportion to transaction amount of the same category | Approved Cap | Whether approved cap has been exceeded | Settlement Method | Available market price of the same transaction category | Disclosure Date | Disclosure index |
|---|---------------------------------------|-----------------------------------|--------------------------------------|--------------------------|-------|------------------|---|--------------|--|-------------------|---|-----------------|-------------------|
| Florens Container Investment (SPV) Limited | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 372,760 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Florens Container Services Company Limited | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 171,003 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Sumitomo Corporation | Minority shareholder of a subsidiary | Sale of goods | Sale of goods | Regular commercial terms | - | 108,475 | - | - | - | - | - | - | - |
| Zhejiang Xinlong Bamboo Industry Co., Ltd. | Associated company | Sale of goods | Sale of goods | Regular commercial terms | - | 78,943 | - | - | - | - | - | - | - |
| Dong Fang International Container (Lianyungang) Co., Ltd. | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 74,953 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Florens Maritime Limited | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 56,913 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Dong Fang International Container (Guangzhou) Co., Ltd. | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 46,354 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Ningxia Changming Natural Gas Development Co., Ltd. | Associated company | Sale of goods | Sale of goods | Regular commercial terms | - | 44,589 | - | - | - | - | - | - | - |
| Florens Container Corporation S.A. | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 40,179 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| Dong Fang International Container (Jinzhou) Co., Ltd. | Subsidiary of significant Shareholder | Sale of goods | Sale of goods | Regular commercial terms | - | 22,890 | - | - | - | - | - | 2016.11.12 | www.cninfo.com.cn |
| NYK Zhenhua Logistics (Tianjin) Co., Ltd. | Joint venture | Sale of goods | Sale of goods | Regular commercial terms | - | 602 | - | - | - | - | - | - | - |
| Guangxi Southern CIMC Logistics Equipment Manufacturing Co., Ltd. | Joint venture | Sale of goods | Sale of goods | Regular commercial terms | - | - | - | - | - | - | - | - | - |
| Other related parties | - | Sale of goods | Sale of goods | Regular commercial terms | - | 45,455 | - | - | - | - | - | - | - |
| Other related parties | - | Rendering of services | Rendering of services | Regular commercial terms | - | 31,365 | - | - | - | - | - | - | - |
| Total | | | | | - | 3,666,384 | - | - | - | - | - | - | - |

Details of substantial sales return

Projected total amount of related-party transactions in the ordinary course of business during the current period by type and actual performance during the reporting period (if any)

Reason for the substantial difference between transaction prices and referential market prices (if applicable)

Nil

In 2017, the actual total amount of continuing connected transactions between the Group and COSCO SHIPPING Development Group was RMB785,052,000, which exceeded the annual caps for the year ended 31 December 2017 of RMB450,000,000 as agreed in the Framework Agreement signed by both parties on 11 November 2016.

Not applicable

(2) Applicable Not applicable

(3) Applicable Not applicable

(4) Applicable Not applicable

Whether there are non-operating claims and liabilities among the connected transactions

Yes No

Claims receivable from the related party

Unit: RMB thousand

| Related party | Relationship with the Group | Reason | Any appropriation of funds for non-operating purposes | Opening Balance | Amount increased during the current period | Amount recovered during the current period | Interest rate | Interest for the current period | Closing balance |
|--|---------------------------------|--|---|-----------------|--|--|---------------|---------------------------------|-----------------|
| Zhenjiang CIMC Embellish Yu Real Estate Co., LTD | Associated company of the Group | Operating borrowings by Shareholders in same ratio | No | 824,391 | - | 496,601 | - | 3,460 | 331,250 |
| Shanghai Fengyang Real Estate Development Co., Ltd. | Associated company of the Group | Operating borrowings by Shareholders in same ratio | No | 34,204 | - | - | - | - | 34,204 |
| Nantong New Atlantic Forest Industry Ltd. | Associated company of the Group | Operating borrowings by Shareholders | No | 10,629 | 2,266 | - | - | 918 | 13,813 |
| Xinyang Wood Hong Kong Co., Ltd. | Associated company of the Group | Operating borrowings by Shareholders in same ratio | No | 4,361 | - | 286 | - | - | 4,075 |
| Shanghai Xin Bai Qin Vehicle Co., Ltd. | Joint venture of the Group | Operating borrowings by Shareholders | No | - | 12,300 | - | - | 108 | 12,408 |
| Other related parties | - | - | - | - | - | - | - | - | - |
| Effect of claims among the connected transactions on the operating results and financial position of the Company | | Nil | | | | | | | |

Liabilities payable to the related party

Unit: RMB thousand

(2)

The Company entered into a Sale of Commodities Framework Agreement (the “**Framework Agreement**”) on 11 November 2016 with China Shipping Container Lines Co., Ltd. (renamed as COSCO SHIPPING Development Co., Ltd., “**COSCO SHIPPING Development**”), pursuant to which it was agreed that commodities (including but not limited to containers) were to be provided to COSCO SHIPPING Development and its subsidiaries (together the “**COSCO SHIPPING Development Group**”) and both parties reached an agreement on the annual transaction amount caps for the years ending 31 December 2017, 2018 and 2019.

1) Principal terms of the Framework Agreement are as follows:

Principle of price determination:

The prices of and other fees for the relevant commodities provided by the Group to COSCO SHIPPING Development Group shall be fair and reasonable and be determined according to the following principles: (a) where the bidding process is required, such bidding pricing; (b) where there is no bidding process, the Group will make reference to the market price (including the comparable local, domestic or international market price) based on the commodities’ type and quality. The business department of the Group will collect the market price information through independent industry associations; or (c) where neither of the above prices is applicable or where it is not practicable to apply the above pricing policies, the Group will negotiate the prices with COSCO SHIPPING Development Group on arm’s length basis after considering the cost, technology, quality and purchase amount of the commodities and the historical prices of the relevant commodities. The prices and terms so concluded shall be no less favourable to the Group than those offered by the Group for the supply of similar commodities to independent third parties.

Termination:

The agreement is valid for three years commencing from 1 January 2017 to 31 December 2019 (both dates inclusive). During the term of the agreement, each of the parties can serve a written notice not less than three months in advance to the other party to terminate any specific agreement under the agreement.

2) Total transaction amount for 2017:

In 2017, the actual total amount of continuing connected transactions between the Group and COSCO SHIPPING Development Group was RMB785.052 million, exceeding the annual caps of RMB450.000 million for the year ended 31 December 2017 as agreed in the Frame Agreement.

The main reasons for the annual caps of continuing connected transactions being exceeded are as follows: (i) The continuing connected transactions were carried out according to market basis. During the actual business dealings, there were uncertainties concerning the occurrence and amounts of transactions due to changes in market demand, revision of production plans and changes in market price. It has been hard to estimate a transaction amount accurately in advance especially during the periods of sharp market fluctuations. In 2016, when the Framework Agreement was entered into, the global container transport market and container market were weak as affected by global economic downturn; (ii) The global economy saw strong recovery in 2017 with notable improvement in international trade environment. Global container transport volume grew at a rate much higher than the market had expected and market demand for containers and purchases for containers climbed up sharply. At the same time, prices of containers rose due to the application of environmental-friendly water-based paint

and supply-demand conditions of the container manufacture market. Against this backdrop, COSCO SHIPPING Group's procurement of containers from the Group grew dramatically; and (iii) The collection and review of the historical transaction information of the Continuing Connected Transactions between the Group and its subsidiaries took a large amount of time and growth was mainly recorded in December 2017, therefore, the Company did not find out that the continuing connected transactions under the Framework Agreement for 2017 had exceeded the annual caps for 2017 until during the preparation of this Report.

The sixth meeting in 2018 of the eighth session of the Board of the Company considered and approved the "Resolution for ratifying the execution of ordinary related-party transactions/continuing connected transactions with COSCO SHIPPING Development Co., Ltd. in 2017". It was agreed to ratify the actual amount of ordinary related-party transactions/continuing connected transactions for 2017. Vice Chairman Wang Yuhang and Director Liu Chong, who were deemed to be connected directors by virtue of their positions held in COSCO SHIPPING Development and its related companies, abstained from voting in the said resolution. The remaining six non-connected directors took part in the vote. The independent directors of the Company reviewed the matter in advance and issued their independent opinion. The second meeting in 2018 of the eighth session of the Board of the Company considered and approved the "Resolution for ratifying the execution of ordinary related-party transactions/continuing connected transactions with COSCO SHIPPING Development Co., Ltd. in 2017". It was agreed to ratify the actual amount of ordinary related-party transactions/continuing connected transactions for 2017. Mr. Zhang Mingwen, as an interested supervisor, has abstained from voting on the relevant resolutions.

As one or more of the applicable percentage ratios (other than the profits ratio) (as defined in the Hong Kong Listing Rules) in respect of the annual caps for the year ended 31 December 2017 are less than 5%, the caps overruns for the continuing connected transactions conducted in 2017 are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules. The ratification of actual amount of ordinary related-party transactions/continuing connected transactions with COSCO SHIPPING Development for 2017 are not required to be submitted to the general meeting of the Company for consideration and approval.

- 3) The proposed revision to the annual caps of the continuing connected transactions for 2018 and 2019 under the Framework Agreement:

The Resolutions on Adjustment of Annual Caps of the Continuing Connected Transactions/Ordinary Related-Party Transactions for 2018 and 2019 with COSCO SHIPPING Development Co., Ltd. has been considered and approved at the sixth meeting in 2018 of the eighth session of the Board held by the Board on 27 March 2018, in which it was agreed that the annual caps of the continuing connected transactions for 2018 and 2019 would be revised to RMB4.60 billion and RMB5.00 billion, respectively. Vice Chairman Wang Yuhang and Director Liu Chong, who were deemed to be connected directors by virtue of their positions held in COSCO SHIPPING Development and its related companies, abstained from voting in respect of the said resolution. The independent directors of the Company reviewed the matter and issued their independent opinions.

As one or more of the applicable percentage ratios (other than the profits ratio) (as defined in the Hong Kong Listing Rules) in respect of the revision to the annual caps of the continuing connected transactions for the years ending 31 December 2018 and 2019 are more than 5%, under Chapter 14A of the Hong Kong Listing Rules, the revision to the 2018 and 2019 annual caps is subject to the reporting, announcement and annual review requirements, approval from the Board, and a circular related thereto containing an opinion from independent financial advisor is required to be prepared and dispatched in order to seeking shareholders' approval. The Company will perform its obligations concerning necessary approvals and disclosures, including dispatching to shareholders a circular and convening a general meeting for the consideration and approval of the related matters. COSCO SHIPPING Development and its related companies will abstain from voting in respect of the relevant resolution at the general meeting.

4) Description of the connected (related) relationship between the parties to the transactions:

COSCO SHIPPING Development is the holding company of Long Honour Investments Limited (“Long Honour”) and COSCO Container Industries Limited (“COSCO Container Industries”) (holding a total of 432,171,843 A Shares and 245,842,181 H Shares, accounting for 22.73% of the total share capital of the Company as at the end of the Reporting Period). Therefore, COSCO SHIPPING Development and its subsidiaries are regarded as connected parties of the Company for the purpose of Chapter 14A of the Hong Kong Listing Rules. The transactions contemplated under the Framework Agreement entered into between the Group and COSCO SHIPPING Development Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Pursuant to the Shenzhen Listing Rules, COSCO SHIPPING Development and the Company are related parties to each other and therefore transactions between COSCO SHIPPING Development Group and the Group constitute ordinary related-party transactions.

5) Purpose of the transactions:

COSCO SHIPPING Development Group is principally engaged in providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, and in particular it runs the world’s largest container leasing business. Given the long-term reliable business relationships between the Group and COSCO SHIPPING Development and its subordinate companies, the uninterested Directors (including the independent non-executive Directors) consider that it is beneficial for the Group to contemplate the continuing connected transactions which will facilitate the operation and growth of the Group’s main business. The uninterested Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement in respect of the continuing connected transactions (including the proposed annual caps) are fair and reasonable, the continuing connected transactions (including the proposed revision to the annual caps) are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

6) Further strengthening the internal control regarding continuing connected transactions:

Considering that the actual transaction amount exceeded the forecasted limits in 2017, the Group has established a series of measures and policies, including contract management policies, connected transaction management measures and internal control management measures, in order to ensure that the continuing connected transactions are conducted in accordance with the commodity sales framework agreement. The Company’s auditing and monitoring department will conduct unscheduled internal assessments on the internal control measures of the Company, to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective. The Company’s external auditors will conduct an annual audit on the Company’s internal control measures, and an annual review on the continuing connected transactions conducted under the Framework Agreement pursuant to the requirements under the Hong Kong Listing Rules. The Group will further enhance the monitoring of the continuing connected transactions, conduct more frequent checks and improve the reporting and documentation system of the Group. The Group will negotiate with COSCO SHIPPING Development for submitting monthly estimates instead of quarterly estimates regarding the continuing connected transactions/ordinary related-party transactions for timely checkout of the transaction amounts involved therein.

7) Independent non-executive Directors' confirmation:

In relation to the continuing connected transactions/ordinary related-transactions between the Group and COSCO SHIPPING Development and its subsidiaries and associated companies during the Reporting Period, the independent non-executive Directors of the Company have reviewed and confirmed that:

- The transactions mentioned above have met requirements of the relevant laws and regulations as well as the Articles of Association, have been conducted on a fair, open and just basis and have been audited through relevant procedures, and no acts have been found which are detrimental to the interests of the Company and the Shareholders, especially the minority Shareholders;
- The transactions mentioned above have been entered into in the ordinary and usual course of business of the Company;
- The transactions mentioned above have been entered into on normal commercial terms or better terms; and
- The transactions mentioned above have been entered into in accordance with the terms of relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

8) Auditor's confirmation:

In compliance with the requirements of section 14A.56 of the Hong Kong Listing Rules, the auditors of the Company have issued a qualified conclusion on the continuing connected transactions mentioned above and have confirmed with the Board by correspondence in relation thereto that:

- Nothing has come to auditors' attention that causes them to believe that the continuing connected transactions mentioned above have not been approved by the Board;
- In relation to the transactions regarding provision of commodities or services by the Group, nothing has come to auditors' attention that causes them to believe that the continuing connected transactions mentioned above were not, in all material respects, in accordance with the pricing policies of the Group;
- Nothing has come to auditors' attention that causes them to believe that the continuing connected transactions mentioned above were not entered into, in all material respects, in accordance with the agreements in relation to such transactions; and
- For the year ended 31 December 2017, the total amount of continuing connected transactions mentioned above was RMB785,052,000, exceeding the annual cap of RMB450,000,000 for such transactions as disclosed by the Company in the announcement dated 11 November 2016.

(3) 關於本集團的持續關連交易及有關連交易之披露

For details of the Group's connected transactions and related-party transactions during the Reporting Period, please refer to note VIII. 5 to "Chapter XIII Financial Statements Prepared in Accordance with CASBE" in this Report. Except for the connected transactions and continuing connected transactions as disclosed in this section, there are no other connected transactions required to be disclosed pursuant to Chapter 14A of the Hong Kong Listing Rules.

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1.

(1)

Applicable Not applicable

During the Reporting Period, there was no trusteeship of the Company generating a profit or loss which contributed to 10% or more of the total profit of the Company during the Reporting Period.

(2)

Applicable Not applicable

During the Reporting Period, there was no contracting of the Company generating a profit or loss which contributed to 10% or more of the total profit of the Company during the Reporting Period.

(3)

Applicable Not applicable

During the Reporting Period, there was no leasing of the Company generating a profit or loss which contributed to 10% or more of the total profit of the Company during the Reporting Period.

2.

Applicable Not applicable

(1)

Unit: RMB thousand

| External guarantees undertaken by the Company and its subsidiaries
(excluding guarantees for subsidiaries) | | | | | | | | |
|---|--|----------------------|-------------------------------------|---|-------------------|------------------|------------------|--------------------------------|
| Name of the guaranteed | Disclosure date of the announcement about the guarantee facilities | Guarantee facilities | Actual date (date of the agreement) | Actual amount of guarantee | Type of guarantee | Guarantee period | Fulfilled or not | Related party guarantee or not |
| Customers and dealers of subsidiaries of CIMC Vehicle (Group) | 2017.3.28 | 2,650,000 | 2017.1.1 | 820,271 | Warrantice | 1-2 years | No | No |
| Customers and dealers of C&C Trucks and its controlling subsidiaries | 2017.3.28 | 1,600,000 | 2017.1.1 | 339,442 | Warrantice | 1-2 years | No | No |
| Purchasers of commodity houses of CIMC Skyspace Real Estate and its controlling subsidiaries | 2017.3.28 | 740,000 | 2017.1.1 | 627,323 | Warrantice | 1-2 years | No | No |
| Customers of CIMC Raffles | 2017.3.28 | 382,000 | 2017.1.1 | 258,646 | Warrantice | 1-2 years | No | No |
| Total external guarantee facilities approved during the Reporting Period (A1) | | | 1,122,000 | Total actual amount of external guarantees during the Reporting Period (A2) | | | 885,969 | |
| Total external guarantee facilities approved at the end of the Reporting Period (A3) | | | 5,372,000 | Total actual balance of external guarantees at the end of the Reporting Period (A4) | | | 2,045,682 | |

| The Company's guarantees for subsidiaries | | | | | | | | |
|--|--|----------------------|-------------------------------------|---|-------------------|------------------|------------------|--------------------------------|
| Name of the guaranteed | Disclosure date of the announcement about guarantee facilities | Guarantee facilities | Actual date (date of the agreement) | Actual amount of guarantee | Type of guarantee | Guarantee period | Fulfilled or not | Related Party Guarantee or not |
| Subsidiaries of CIMC | 2017.3.28 | 24,172,570 | 2017.1.1 | 7,436,520 | Warrantice | 1-2 years | No | No |
| CIMC Fortune Holdings Limited | 2017.3.28 | 30,000,000 | 2017.1.1 | 22,358,040 | Warrantice | 1-2 years | No | No |
| Total guarantee facilities for subsidiaries approved during the Reporting Period (B1) | | | 35,651,530 | Total actual amount of guarantees for subsidiaries during the Reporting Period (B2) | | | 11,738,790 | |
| Total guarantee facilities for subsidiaries approved at the end of the Reporting Period (B3) | | | 54,172,570 | Total actual balance of guarantees for subsidiaries at the end of the Reporting Period (B4) | | | 29,794,560 | |

| Subsidiaries' guarantees for subsidiaries | | | | | | | | |
|--|--|----------------------|-------------------------------------|---|-------------------|------------------|------------------|--------------------------------|
| Name of the guaranteed | Disclosure date of the announcement about guarantee facilities | Guarantee facilities | Actual date (date of the agreement) | Actual amount of guarantee | Type of guarantee | Guarantee period | Fulfilled or not | Related Party Guarantee or not |
| Guarantee of one subsidiary for another | 2017.3.28 | 12,573,650 | 2017.1.1 | 4,307,420 | Warrantice | 1-2 years | No | No |
| Total guarantee facilities for subsidiaries approved during the Reporting Period (C1) | | | 6,731,980 | Total actual guarantee amount for subsidiaries during the Reporting Period (C2) | | | 269,960 | |
| Total guarantee facilities for subsidiaries approved at the end of the Reporting Period (C3) | | | 12,573,650 | Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4) | | | 4,307,420 | |
| Total guarantee of the Company (total of the above three items) | | | | | | | | |
| Total guarantee facilities approved during the Reporting Period (A1+B1+C1) | | | 43,505,510 | Total actual guarantee amount during the Reporting Period (A2+B2+C2) | | | 12,894,719 | |
| Total guarantee facilities approved at the end of the Reporting Period (A3+B3+C3) | | | 72,118,220 | Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4) | | | 36,147,662 | |

(2) Applicable Not applicable

3. **A**

(1) Applicable Not applicable

(2) Applicable Not applicable

Entrusted Loans During the Reporting Period

Unit: RMB thousand

| Total amount of entrusted loans | Source of funds for entrusted loans | Remaining balance not yet due | The amount due but not recovered |
|---------------------------------|-------------------------------------|-------------------------------|----------------------------------|
| - | Self-owned funds | 3,249 | - |

The specific circumstances of a high-risk entrusted loan with a single significant amount or low security, poor liquidity, and no guarantee for principal repayment.

Nil

Unable to recover the principal of entrusted loans or other circumstances that may result in impairment

Applicable Not applicable

4. Applicable Not applicable

A

1. Applicable Not applicable

During the Reporting period, the Company did not engage in any precise poverty-alleviation activity and had no follow-up plan for precise poverty alleviation.

2. Environmental Protection

The Company published the 2016 Environmental, Social and Governance Report and the 2017 Social Responsibility and Environmental, Social and Governance Report on Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 30 June 2017 and 27 March 2018 respectively.

Whether the listed company and its subsidiaries are on the list of critical pollutant dischargers published by the environmental protection authorities

✓ Yes No Not Applicable

| Name of Company or subsidiary | Name of major and specific pollutants | Emission method | Number of Emission outlets | Distribution of emission outlets | Emission concentration | Pollutant emission standards in effect | Total emission | Approved total emission | Excessive emission |
|--|--|---|----------------------------|---|---|---|--|---|--------------------|
| Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd | VOCs/sum of methylbenzene and Xylene/benzene | emission complied with standards after treatment | 17 | All located in the roof of production workshops | Total VOCs:4.57mg/m ³
Sum of methylbenzene and Xylene:0.08 mg/m ³
benzene: 0.039 mg/m ³
(Average from monitoring data in December 2017) | Total VOCs:90mg/m ³
sum of methylbenzene and Xylene: 20 mg/m ³
benzene: 1 mg/m ³
The Standard stipulating the VOC emission limits of container manufacturing companies operating in Guangdong Province* (廣東省集裝箱製造業揮發性有機物排放標準) | VOCs emission 121.2656 tons (calculated based on material balance) | VOCs emission 121.2656tons (calculated based on material balance) | Nil |
| Nantong CIMC Shunda Containers Co., Ltd. (including Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.) | Particulate matter | Intermittent emissions | 3+6 | sanding | Average 2.87mg/m ³ | Integrated Emission Standard of Air Pollutants (GB16297-1996) | - | 2.68 | Nil |
| | Methylbenzene (exhaust) | - | 3+6 | paint spraying | Average 2.639 mg/m ³ | - | - | 13.85 | Nil |
| | Xylene (exhaust) | - | - | - | Average 0.7936 mg/m ³ | - | - | 24.51 | Nil |
| | Non-methane hydrocarbon | - | - | - | Average 19.902 mg/m ³ | - | - | 71.78 | Nil |
| | VOCs | - | - | - | 0.0513 | "Surface coating" standard in table 2 set out in DB12524-2014 Tianjin City local standard "Emission Control Standard of Volatile Organic Compounds from Industrial Enterprises" | - | 58.88 | Nil |
| | COD | Continuous emissions | 2 | Production wastewater domestic sewage | 70 | Integrated Wastewater Discharge Standard (GB8978-1996) | - | 48.309 | Nil |
| | SS | - | - | - | 21 | - | - | 28.698 | Nil |
| | ammonia nitrogen | - | - | - | 19.3 | Wastewater Quality Standards for Discharge to Municipal Sewers (CJ343-2010) | - | 3.739 | Nil |
| Shenzhen CIMC Special Vehicle Co., Ltd. | Benzene/methylbenzene/xylene | High-altitude emissions were in compliance with standards | 8 | coating line | Benzene (0mg/m ³), methylbenzene (0.01mg/m ³), xylene(0.11mg/m ³) | Requirement under time slot II of DB44/816-2010 | Benzene 0kg, methylbenzene 77.76kg, xylene 233.28kg | - | Nil |
| Nantong CIMC Tank Equipment Co., Ltd. | cod | Intermittent emissions | 1 | - | - | Level 3 | 8.5 | 8.87 | Nil |

| Name of Company or subsidiary | Name of major and specific pollutants | Emission method | Number of Emission outlets | Distribution of emission outlets | Emission concentration | Pollutant emission standards in effect | Total emission | Approved total emission | Excessive emission |
|--|---|--|----------------------------|---|--|--|--|---|---|
| SOE | Wastewater | Emissions incorporated into the sewage collection network | 1 | - | - | - | 45000 | 45360t/a | Nil |
| | COD(mg/l) | Emissions incorporated into the sewage collection network | 1 | - | 91 | 500 | 4.095 | 4.534t/a | Nil |
| | NH3-N (mg/l) | Emissions incorporated into the sewage collection network | 1 | - | 7.04 | 45 | 0.2 | 0.2t/a | Nil |
| | Particulate matter | Concentrated emissions | 1 | - | 7.8mg/m ³ | 120 g/m ³ | - | - | - |
| | Methylbenzene | Concentrated emissions | 1 | - | 0.46 g/m ³ | 40 mg/m ³ | - | - | - |
| | Xylene | Concentrated emissions | 1 | - | 0.34 g/m ³ | 70 mg/m ³ | - | - | - |
| Shenzhen CIMC-Tianda Airport Support Co., Ltd. | Exhaust spray-paint, exhaust from drying paint, - benzene congeners, TVOCs, methylbenzene, xylene, particulate matter | After collection, treatment with specific activated carbon purifier and emission through 15-metre tall exhaust pipes | 3 | Structure welding workshop, paint workshops | Benzene congeners: 0.102-0.147, sum of methylbenzene and xylene: 6.74-10.6 mg/m ³ , total VOCs: 13-21.6 mg/m ³ , particulate matter: 4.37-4.62 mg/m ³ | Second standard under time slot II of DB44/21-2001, Emission Standard of Volatile Organic Compounds for surface coating (vehicle manufacturing industry) | Benzene: 76.2kg/year, sum of methylbenzene and xylene: 5512kg/year, TVOCs: 9934.8kg/year, Particulate matter: 2782kg/year. | 1,528 million standard cubic metres/year (maximum waste gas emission under the sewage permit) | Emissions were in compliance with standards |
| | Sanding exhaust, sand cleaning-out exhaust - particulate matter | Dust from sand separation in a two-tier dust removal process using bag filters and emission through 15-metre tall exhaust pipes | 5 | Structure welding workshop, paint workshops | 3.52-9.15 mg/m ³ | DB44/21-2001 time slot II Standard Level 2 | Particulate matter: 1212kg/year | | Emissions were in compliance with standards |
| | fume from canteens | After flowing through ventilation on the top of buildings, treatment with static purifiers and emission at high altitude | 1 | Top of the canteens (top of 3-storey building) | Fume emission concentration: 0.6-0.7 mg/m ³ | DB44/21-2001 time slot II Standard Level 2 | 26.3kg/year | | Emissions were in compliance with standards |
| | Exhaust from backup generator | The generators use 0# light diesel as fuel. Gas combustion will be emitted at high altitude after water bath dust removal process. | 1 | Backup generator room on the west wing of the office building | Ringelman emittance < 1 | DB44/21-2001 time slot II Standard Level 2 | Ringelman emittance < 1 | | Emissions were in compliance with standards |

Construction and operation of pollution prevention and control facilities

| Name of subsidiary | Construction and operation of pollution prevention and control facilities |
|--|---|
| Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd. | <p>Exhaust: treatment mainly adopts "cotton filter+ activated carbon adsorption + desorption+ water spray+UV" technology. Construction is completed and is in normal use.</p> <p>Waste water: treatment mainly adopts "coagulation sedimentation+Fenton method+UASB+MB film" technology. After being treated with water recycling system, the waste water will be reused and thus achieving zero emission. Construction is completed and in normal use.</p> |
| Nantong CIMC-Special Transportation Equipment Manufacture Co., Ltd. | <p>Dust produced from the sanding process will be gathered by induced fans and put through filters for dust removal.</p> <p>The paint mist and organic exhaust produced by the coating first-line of Special Transportation Equipment company during the coating process are purified and treated by the "water curtain spray + paint mist filter + multi-stage activated carbon adsorption + solvent recovery" devices. The coating second-line of Special Transportation Equipment company uses "water curtain spray + paint mist filter + activated carbon adsorption and desorption with catalytic combustion" devices for exhaust treatment.</p> |
| CIMC Vehicle (Group) Co., Ltd. | <p>1 set of production waste water treatment facilities which use treatment techniques of chemical precipitation for recycled waste water from water-based paint used in coating lines. The treatment capacity is 5m³/hr with zero emission.</p> <p>7 sets of exhaust treatment facilities which use the treatment techniques of water curtain filter+activated carbon adsorption. Total wind volume is 450,000m³/hr. Exhaust gas will be emitted at high altitudes after treatment.</p> |
| Nantong CIMC Tank Equipment Co., Ltd. | <p>Pollution prevention and control facilities for waste gas and water, noise and solid waste produced during the production process of the Company are in place and in normal use.</p> |
| SOE | <p>The waste water treatment plant was completed and put into operation in 2008. The Company's waste water was integrated into the pipe network of the park's waste water treatment plant in 2012, and online flow meters were installed along with COD monitoring. The separate drainage pipe network was completed in 2008 and is currently still in use and in good working order. Steel plate pre-treatment lines (filter bags, dust removing cartridges, activated carbon in paint mist treatment) are in normal use. Idle mobile welding fume purifiers (3 sets), axial flow pumping ventilators are in good working order. Solid waste collection and storage facilities are in normal use.</p> |
| Shenzhen CIMC-TianDa Airport Support Ltd. | <p>Equipped with sewage treatment facility (1 set), mainly engaged in the treatment of spray paint rinsing waste water, recycling and use of the treated water and waste water-free production. The equipment is currently in normal use and under regular maintenance. Equipped with spray paint exhaust treatment facilities (3 sets). The equipment is currently in normal use. Equipped with sanding exhaust treatment devices (3 sets). The equipment is currently in normal use.</p> <p>Equipped with sand cleaning-out exhaust treatment devices (2 sets). The equipment is currently in normal use. Equipped with cooking fume purifier device (1 set). The equipment is currently in normal use. Equipped with power generator exhaust treatment device (1 set). The equipment is currently in normal use. Equipped with 1 temporary storage location for hazardous waste, with a surface area of approximately 30 square metres. The facility is currently in normal use.</p> |

Environmental impact assessment of construction projects and other environmental protection administrative licensing

| Name of subsidiary | Environmental impact assessment of construction projects and other environmental protection administrative licensing |
|--|---|
| Shenzhen Southern CIMC Logistic Equipment Manufacturing Co., Ltd. | Obtained environmental evaluation approval and sewage permits through environmental acceptance works. |
| Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. (including Nantong CIMC Shunda Containers Co., Ltd.) | Obtained the "Comments on the Environmental Impact Report on Technological Transformation Projects for Standard Container Welding and Paint Spraying Line of Nantong CIMC Shunda Containers Co., Ltd." and environmental acceptance works approval on completion of construction. |
| Shenzhen CIMC Special Vehicle Co., Ltd. | Phase one environmental evaluation approval: approved by the Shenzhen Environmental Protection Bureau. Phase one expansion environmental evaluation approval: approved by the Shenzhen Environmental Protection Bureau. |
| Nantong CIMC Tank Equipment Co., Ltd. | All of the construction projects of the Company have conducted environmental evaluation procedures and inspection procedures, with all of them obtaining sewage permits awarded by the Environmental Protection Bureau. |
| SOE | The environmental impact assessment and approval and environmental inspection for the phase one LPG liquid container construction project and wharf construction project are completed. The environmental impact assessment and approval for the phase two special ocean equipment project are completed while individual environmental acceptance works are underway. |
| Shenzhen CIMC-Tianda Airport Support Co., Ltd. | It received the approval of the draft of Environmental Impact Report on Construction Project of Shenzhen CIMC TAS Science Research Industrial Base issued by the Human Settlements and Environment Commission of Shenzhen Municipality in March 2011 and obtained the consent to construct the project in accordance with the comments on the environmental impact report. It obtained the temporary sewage permit from the Human Settlements and Environment Commission of Shenzhen Municipality. It passed the examination of completed environmental protection facilities in September 2017 and obtained the official sewage permit from the Human Settlements and Environment Commission of Shenzhen Municipality. |

Contingency plans for unexpected environment-related events

Southern CIMC, Shenzhen CIMC Special Vehicle Co., Ltd. and other subsidiaries of the Group have prepared contingency plans for unexpected environment-related events, environmental risk assessment reports and investigation reports for environmental response resources which have been filed with relevant regulatory institutions.

Self-monitoring environmental program

Southern CIMC, Nantong CIMC, CIMC Tianda and other subsidiaries of the Company have engaged qualified inspection agencies to carry out regular inspections on waste gas, waste water and noise. All relevant standards have been met for each indicator.

Other discloseable environmental information

None

Other environment-related information

None

Whether the Company publishes social responsibility report

Yes No

| Nature of the Company | Social responsibility report | | | Report disclosure standards | |
|-----------------------|---|---|--|---|-------------------|
| | Whether includes information on environment | Whether includes information on society | Whether includes information on corporate governance | Domestic standards | Foreign standards |
| Others | Yes | Yes | Yes | GSRI-CHINA2.0 and the Environmental, Social and Governance Reporting Guide included in Appendix 27 to the Hong Kong Listing Rules | GRI |

Detailed description:

| | |
|--|---|
| 1. Whether the Company received environmental management system certification (ISO 14001) | A total of 28 subsidiaries of the Company received environmental management system certifications (ISO 14001) |
| 2. The annual expense of the Company in respect of environmental protection (RMB thousand) | 540,000 |
| 3. The Company's emissions performance of "waste gas, waste water and waste residue" | <ul style="list-style-type: none"> • Container segment: after production was changed from oil-based paint to water-based paint, VOCs emissions were reduced by 60-70%; treated and reused industrial waste water with no discharge into the environment; complied with laws and regulations for storage, transportation and disposal of hazardous waste. • Road transportation vehicle segment: implemented various measures including improving spray painting techniques to achieve zero VOC emission, recirculation and reuse of industrial and domestic wastewater, disposal of hazardous waste; invested more resources in environmental protection and carried out environmental protection-related works; carried out green development and sustainable operations in compliance with relevant requirements. • Energy, chemical and liquid food equipment segment: upgraded and remodeled organic waste gas treatment systems to increase treatment efficiency; reduced VOC emission; carried out energy conservation measures, such as heat treatment, contracting electricity use during peak hours for assembly workshops and installed upgraded power meters in dormitories; reduced waste water treatment and emissions by reusing waste water. • Logistics services segment: installed welding fumes treatment equipment and container cleansing water treatment systems; disposed waste oil and waste paint tanks in compliance with relevant standards. • Heavy truck segment: reduced the amount of sludge produced and organic substance in waste water through improving skills and techniques; entered into disposal or treatment contracts with qualified disposal agencies; established policies for hazardous waste management and accountability; formulated contingency plans for hazardous waste leakage; refined systems for collecting inventory input calculation. • Airport facilities segment: prepared and implemented improvement plans for streamlining and integration of welding operation of boarding bridge components to effectively reduce welding and grinding processes; increased production efficiency and reduced use of raw materials and emission of waste gas; installed collection tanks and temporary storage units designed for domestic and production related waste for sorting and concentration; raised awareness among employees for environmental protection and resource conservation; reduced generation of solid wastes throughout all processes including design and manufacturing. |

5. On 12 March 2018, upon consideration at the fifth meeting of the eighth session of the Board in 2018, the issuance of H Shares that the Company intends to issue according to the "Resolution on granting the Board a general mandate to handle matters relating to the issue of shares" considered and approved at the 2016 annual general meeting convened on 9 June 2017 was approved. For relevant information, please refer to the announcement published by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-015) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 12 March 2018.

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1. On 5 July 2017, Enric Shenzhen, SOE and SOE Bankruptcy and Liquidation Team entered into relevant agreement to purchase the major assets of SOE through acquiring the entire equity interests in it. On 4 August 2017, the SOE Restructuring Plan was approved at the creditors' meeting of SOE and approved by the court. On 16 August 2017, SOE has become an indirect wholly-owned subsidiary of CIMC Enric and an indirect non wholly-owned subsidiary of the Group. For details, please refer to the announcements disclosed by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2017-036, [CIMC]2017-047 and [CIMC]2017-054) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 6 July 2017, 4 August 2017 and 16 August 2017.
2. On 17 July 2017, Country Garden and CIMC Skyspace Real Estate entered into an agreement, pursuant to which Country Garden injected an amount of RMB926,322,300 into the capital of CIMC Skyspace Real Estate. After the completion of the capital injection, Country Garden held 25% of equity interest in CIMC Skyspace Real Estate, while the Company held 61.5% equity interest in CIMC Skyspace Real Estate indirectly. For relevant information, please refer to the announcements disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) (Announcement No.: [CIMC]2017-040) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 17 July 2017.
3. On 3 August 2017, Southern CIMC and China Merchants Shekou entered into an agreement, pursuant to which Southern CIMC will return the Prince Bay Land to China Merchants Shekou, and China Merchant Shekou shall pay the appraised value of RMB494,894,588 as compensation. This transaction has been approved and passed at the first extraordinary general meeting of the Company in 2017 convened on 26 September 2017. For relevant information, please refer to the announcements disclosed by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) (Announcement No.: [CIMC]2017-045 and [CIMC]2017-067) and the announcements and the notice of general meeting published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 3 August 2017 and 26 September 2017.

4. On 13 September 2017, CIMC Investment, Shenzhen Gangwan Ruishi Equity Investing Partnership (Limited Partnership)* (深圳港灣睿仕股權投資合夥企業(有限合夥)) and Shenzhen Hive Box Technology Co., Ltd.* (深圳市豐巢科技有限公司) (“Hive Box Technology”) entered into relevant agreements, pursuant to which Hive Box Technology acquired 78.236% equity interest in CIMC Electricity Commerce from CIMC Investment at a consideration of RMB633,714,546. Upon completion of the transaction, the Company will no longer hold any equity interest in CIMC Electricity Commerce. On 30 October 2017, this transaction was approved at the second extraordinary general meeting of the Company in 2017. For relevant information, please refer to the announcements disclosed by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2017-063 and [CIMC]2017-078) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 13 September 2017 and 30 October 2017.
5. On 9 October 2017, Southern CIMC entered into the Land Preparation Framework Agreement with Urban Planning, Land & Resources Commission of Shenzhen Municipality* (深圳市規劃和國土資源委員會) and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen* (深圳市前海深港現代服務業合作區管理局) in respect of the land preparation issues of land parcels T102-0152, T102-0153 and T102-0154 located at Qianhai, Shenzhen. For relevant information, please refer to the announcements of the Company dated 9 October 2017 disclosed in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2017-072) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
6. On 18 October 2017, Enric Shenzhen and SESKYC entered into the Energy and Environmental Protection Funds Cooperation Framework Agreement with ZJU Joint Innovation Investment* (浙江浙大聯合創新投資管理合夥企業(有限合夥)) (“ZJU Joint Innovation”), pursuant to which the parties have agreed to jointly establish the Energy and Environmental Protection Project Fund with a total size of RMB350 million, with Enric Shenzhen as a limited partner, its total subscribed capital contribution being RMB80 million, and jointly managed by SESKYC and ZJU Joint Innovation as general partners. For relevant information, please refer to the announcements disclosed by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2017-075) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 18 October 2017.
7. On 4 December 2017, Sharp Vision Holdings Limited, a wholly-owned subsidiary of the Company, CFE, Wang Sing Technology Limited (a wholly-owned subsidiary of CFE) and Fengqiang Holdings Limited entered into the Pteris Sale and Purchase Agreement, pursuant to which Wang Sing shall acquire 99.41% equity interest in aggregate in Pteris from Sharp Vision and Fengqiang. CFE shall issue Consideration Shares and Convertible Bonds to Sharp Vision and Fengqiang, respectively, to satisfy the consideration for the transaction. The transaction was considered and approved at the first extraordinary general meeting of the Company in 2018 on 9 February 2018 and the extraordinary general meeting of CFE held on 11 April 2018. For relevant information, please refer to the announcements disclosed by the Company in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2017-082 and [CIMC]2018-009) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 4 December 2017 and 9 February 2018 as well as relevant announcements published by CFE on the website of Hong Kong Stock Exchange (www.hkexnews.hk).

8. On 12 March 2018, CIMC Transportation, Shouzhong (Hong Kong) Limited (“Shouzhong (Hong Kong)”)

Chapter IX

A

1.

Unit: Shares

| | Pre-movement | | Increase/decrease (+/-) | | | | | Post-movement | |
|--|-------------------|------------|-------------------------|-------------|--------------------------|-----------|-----------|-------------------|------------|
| | Numbers of shares | Percentage | New issue | Bonus issue | Conversion from reserves | Others | Sub-total | Numbers of shares | Percentage |
| I. Shares with selling restrictions | 699,526 | 0.02% | 0 | 0 | 0 | (199,500) | (199,500) | 500,026 | 0.02% |
| 1. State-owned shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 2. Shares held by state-owned companies | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3. Shares held by other domestic investors | 699,526 | 0.02% | 0 | 0 | 0 | (199,500) | (199,500) | 500,026 | 0.02% |
| Including: Shares held by domestic legal persons | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Shares held by domestic natural persons | 699,526 | 0.02% | 0 | 0 | 0 | (199,500) | (199,500) | 500,026 | 0.02% |
| 4. Shares held by foreign investors | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Including: Shares held by foreign legal persons | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Shares held by foreign natural persons | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| II. Shares without selling restrictions | 2,977,877,460 | 99.98% | 4,312,150 | 0 | 0 | 199,500 | 4,511,650 | 2,982,389,110 | 99.98% |
| 1. RMB-denominated ordinary shares | 1,261,300,851 | 42.35% | 4,312,150 | 0 | 0 | 199,500 | 4,511,650 | 1,265,812,501 | 42.43% |
| 2. Shares traded in non-RMB currencies and listed domestically | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| 3. Shares traded in non-RMB currencies and listed overseas | 1,716,576,609 | 57.63% | 0 | 0 | 0 | 0 | 0 | 1,716,576,609 | 57.55% |
| 4. Others | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| III. Total shares | 2,978,576,986 | 100.00% | 4,312,150 | 0 | 0 | 0 | 4,312,150 | 2,982,889,136 | 100.00% |

Reasons for changes in shares during the Reporting Period:

The Company's senior management Mr. Jin Jianlong resigned on 27 March 2017. Mr. Jin Jianlong has resigned for more than six months, therefore, all of his 157,500 shares subject to selling restriction were all released from the sale restrictions as at the end of the Reporting Period. During the Reporting Period, the Company's vice president Liu Xuebin sold his shares not subject to selling restrictions from the beginning of the year (i.e. 24,000 shares). During the Reporting Period, 3,821,050 options were exercised during the second exercisable period for the First Tranche of Share Option Incentive Scheme, and 491,100 options were exercised during the second exercisable period for the Second Tranche of Share Option Incentive Scheme, 4,312,150 options were exercised in aggregate.

Approval for changes in share capital

Applicable Not applicable

Transfer for changes in shares

Applicable Not applicable

Effects of changes in share capital on financial indicators such as the basic earnings per share and diluted earnings per share, or the net assets per share attributable to ordinary Shareholders of the Company of the previous year or latest period

Applicable Not applicable

Unit: RMB/share

| | Item | Pre-movement
in shares | Post-movement
in shares |
|------|--|---------------------------|----------------------------|
| 2017 | Basic earnings per share | 0.81 | 0.81 |
| | Diluted earnings per share | 0.81 | 0.81 |
| | Net assets per share attributable to ordinary
Shareholders of the Company | 10.88 | 10.88 |

Other matters that the Company deemed necessary to or required by the securities regulatory authority to be disclosed

Applicable Not applicable

2. 限售股份变动情况

✓ Applicable Not applicable

Unit: Shares

| Name of Shareholders | Number of shares with selling restrictions at the beginning of the Period | Number of shares with selling restrictions expired in the Period | Increase in number of shares with selling restrictions in the Period | Number of shares with selling restrictions at the end of the Period | Reasons for selling restrictions | Expiry date of selling restrictions |
|----------------------|---|--|--|---|---|-------------------------------------|
| Mai Boliang | 371,026 | 0 | 0 | 371,026 | Shares are subject to selling restrictions in accordance with relevant provisions of stock exchanges and clearing companies | Nil |
| Yu Ya | 75,000 | 0 | 0 | 75,000 | Same as above | Nil |
| Liu Xuebin | 96,000 | (42,000) | 0 | 54,000 | Same as above | 2017.01.03 |
| Jin Jianlong | 157,500 | (157,500) | 0 | 0 | - | 2017.09.27 |
| Total | 699,526 | (199,500) | 0 | 500,026 | - | - |

1. **T, A** ()

Applicable Not applicable

2. **A**

Applicable Not applicable

During the Reporting Period, an aggregate of 4,312,150 share options were exercised from the first batch and the second batch of the A Share(s) share options. Please refer to "1. A Share(s) Share Option Incentive Scheme of the Company" of "XV. Implementation of the Company's Share Option Incentive Scheme, Employee Stock Ownership Scheme or Other Employee Incentive Measures" under "Chapter VIII Significant Events" in this Report for details.

3. **A**

Applicable Not applicable

4. **A**

On 8 April 2016, as considered and approved by the third meeting of the seventh session of the Board for 2016 of the Company, the Company proposed to issue no more than 386,263,593 new A Shares (including 386,263,593 shares) at no less than RMB13.86 per share to no more than 10 qualified investors including domestic institutional investors and individual investors that meet the relevant requirements and conditions, with gross proceeds not exceeding RMB6.0 billion ("**Non-public Issuance of A Shares**"). The Non-public Issuance of A Shares was considered and approved at the 2015 annual general meeting, the first 2016 A Shareholders' class meeting and the first 2016 H Shareholders' class meeting of the Company on 31 May 2016. The Company submitted its application for the non-public issuance of A Shares to the CSRC on 30 September 2016 and received the "CSRC's Acceptance Notice of the Application for Administrative Permission*" (No. 162937) (《中國證監會行政許可申請受理通知書》(162937號)) and the "Notice regarding CSRC's Feedback on the Review of Administrative Permission Items*" (No.162937) (《中國證監會行政許可項目審查反饋意見通知書》(162937號)) issued by the CSRC on 14 October 2016 and 21 November 2016. Considering that certain matters in the feedback still need to be resolved, the Company applied to the CSRC to cancel it on 17 January 2017. Upon consideration and approval at the 2016 annual general meeting, the first 2017 A Shareholders' class meeting and the first 2017 H Shareholders' class meeting on 9 June 2017, the Company revised its issuance proposal for the Non-public Offering of A Shares and extended the validity period of the resolution by the shareholders' general meeting as well as the validity period of the mandate for the Board. The Company received the "CSRC's Notice Regarding Resuming Its Review of the Application for Administrative Permission*" (No. 162937) (《中國證監會行政許可申請恢復審查通知書》(162937號)) issued by the CSRC on 18 December 2017, pursuant to which the CSRC determined to resume its review of the application of the Non-public Issuance of A Shares by the Company. On 11 January 2018, the Company and the relevant intermediaries have provided supplementary information and

answers to the questions regarding the questions raised by the Feedback and disclosed. On 9 March 2018, as it has been almost two years since the Company released the announcement in relation to the proposal of the Non-public Offering of A Shares, a number of changes took place in the capital market, industry environment and relevant policies while part of the investment items under the original investment project financed by fundraising has been substantially completed. After repeated studies and discussions with the relevant intermediaries, and upon consideration and approval at the fourth meeting in 2018 of the eighth session of the Board of the Company, the Company has determined to terminate the Non-public Issuance of A Shares and apply to the CSRC for the withdrawal of relevant application documents. On 23 March 2018, the Company received the "Notice in Relation to Termination of Review*" (No. [2018]119) (《終止審查通知書》) ([2018]119號) by the CSRC, approving the termination of review on the Non-public Issuance of A Shares. For relevant information, please refer to the announcements (Announcement No.: [CIMC] 2016-018, [CIMC] 2016-033, [CIMC] 2016-061, [CIMC] 2016-072, [CIMC] 2017-002, [CIMC]2017-024, [CIMC]2017-033, [CIMC]2017-084, [CIMC]2018-002, [CIMC]2018-013 and [CIMC]2018-021) published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 April 2016, 1 June 2016, 15 October 2016, 22 November 2016, 17 January 2017, 21 April 2017, 9 June 2017, 19 December 2017, 11 January 2018, 9 March 2018 and 26 March 2018. As at the date of the report, the Non-public Issuance of A Shares Plan was terminated.

1.

The total number of Shareholders of the Company as at 31 December 2017 was 71,384, including 71,371 holders of A Shares and 13 registered holders of H Shares. The total number of Shareholders of the Company as at 28 February 2018 (being the end of the month prior to the publication date of the 2017 annual report of the Company) was 76,311 including 76,298 holders of A Shares and 13 registered holders of H Shares.

Unit: Shares

| | | | |
|--|--------|--|--------|
| Total ordinary Shareholders at the end of the Reporting Period | 71,371 | Total ordinary Shareholders at the end of the month prior to the publication date of annual report | 76,311 |
|--|--------|--|--------|

Shareholdings of the Shareholders who held above 5% or the top ten Shareholders at the end of the Reporting Period

| Name of Shareholders | Nature of Shareholders | Percentage of shareholding | Number of shares held at the end of the Reporting Period | Changes during the Reporting Period | Number of shares held with selling restrictions | Number of shares held without selling restrictions | Pledged or frozen shares | |
|---|---------------------------------------|----------------------------|--|-------------------------------------|---|--|--------------------------|--------|
| | | | | | | | Status | Number |
| HKSCC Nominees Limited (Note 1) | Foreign legal person | 58.02% | 1,730,538,352 | 79,225,281 | - | 1,730,538,352 | - | - |
| COSCO Container Industries Limited (Note 2) | Foreign legal person | 14.49% | 432,171,843 | 0 | - | 432,171,843 | - | - |
| China Securities Finance Corporation Limited | State-owned legal person | 2.61% | 77,885,620 | (8,781,447) | - | 77,885,620 | - | - |
| Central Huijin Asset Management Ltd. | State-owned legal person | 1.27% | 37,993,800 | 0 | - | 37,993,800 | - | - |
| National Social Security Fund 413 | Domestic non-state-owned legal person | 0.34% | 9,999,839 | 9,999,839 | - | 9,999,839 | - | - |
| ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program | Domestic non-state-owned legal person | 0.32% | 9,566,600 | 0 | - | 9,566,600 | - | - |
| Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program | Domestic non-state-owned legal person | 0.32% | 9,566,600 | 0 | - | 9,566,600 | - | - |
| Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program | Domestic non-state-owned legal person | 0.32% | 9,566,600 | 0 | - | 9,566,600 | - | - |
| Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program | Domestic non-state-owned legal person | 0.32% | 9,566,600 | 0 | - | 9,566,600 | - | - |
| Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program | Domestic non-state-owned legal person | 0.32% | 9,566,600 | 0 | - | 9,566,600 | - | - |
| Strategic investors or ordinary legal persons who became top ten Shareholders due to placing of new shares (if any) | | | Nil | | | | | |
| Explanation on the relationship or concerted action of the above mentioned Shareholders | | | Unknown | | | | | |

Shareholdings of top ten Shareholders without selling restrictions at the end of the Reporting Period

| Name of Shareholders | Number of shares without selling restrictions held at the end of Reporting Period | Type of shares | |
|--|---|---------------------------------|---------------|
| | | Type of shares | Number |
| HKSCC Nominees Limited (Note 1) | 1,716,411,609 | Overseas listed foreign shares | 1,716,411,609 |
| | 14,126,743 | RMB-denominated ordinary shares | 14,126,743 |
| COSCO Container Industries Limited (Note 2) | 432,171,843 | RMB-denominated ordinary shares | 432,171,843 |
| China Securities Finance Corporation Limited | 77,885,620 | RMB-denominated ordinary shares | 77,885,620 |
| Central Huijin Asset Management Ltd. | 37,993,800 | RMB-denominated ordinary shares | 37,993,800 |
| National Social Security Fund 413 | 9,999,839 | RMB-denominated ordinary shares | 9,999,839 |
| ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program | 9,566,600 | RMB-denominated ordinary shares | 9,566,600 |
| Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program | 9,566,600 | RMB-denominated ordinary shares | 9,566,600 |
| Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program | 9,566,600 | RMB-denominated ordinary shares | 9,566,600 |
| Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program | 9,566,600 | RMB-denominated ordinary shares | 9,566,600 |
| Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program | 9,566,600 | RMB-denominated ordinary shares | 9,566,600 |
| Explanation on the relationship or concerted action between the top ten Shareholders of circulating shares without selling restrictions, or the top ten Shareholders of circulating shares without selling restrictions and the top ten Shareholders | Unknown | | |
| Explanation on the top ten ordinary Shareholders participating in financing securities business (if any) | Nil | | |

Note 1: As at 31 December 2017, HKSCC Nominees Limited held 1,730,538,352 shares of the Company, including 14,126,743 A shares and 1,716,411,609 H shares. The H shares registered under HKSCC Nominees Limited include (but not limited to) 732,726,617 H shares held by China Merchants Group through its certain subsidiaries (including China Merchants Industry Holdings, Soares Limited and China Merchants (CIMC) Investment), and the 245,842,181 H shares held by China COSCO Shipping China Merchants Group (“China COSCO Shipping”), through its certain subsidiaries (including 25,322,106 H shares directly held by Long Honour and 220,520,075 H shares directly held by COSCO Container Industries).

Note 2: As at 31 December 2017, COSCO Container Industries held 220,520,075 H shares of the Company which were registered under HKSCC Nominees Limited (see Note 1 above) and 432,171,843 A shares of the Company.

The top ten ordinary Shareholders and the top ten ordinary Shareholders without selling restrictions of the Company haven’t conducted any agreed repurchase transactions during the Reporting Period.

Chapter IX

2. 本公司是否存在实际控制人？

2. 本公司是否存在实际控制人？

Applicable Not applicable

There is no controlling Shareholder in the Company. During the Reporting Period, there was no change.

3. 本公司是否存在实际控制人？

Applicable Not applicable

There is no de facto controller in the Company. During the Reporting Period, there was no change.

Whether there are any Shareholders at the ultimate controlling level with shareholdings above 10% in the Company

Yes No

| Name of the corporate Shareholder | Legal representative/
Company leader | Date of establishment | Registered capital | Main business or management activities |
|---|---|-----------------------|--------------------|--|
| China Merchants (CIMC) Investment Limited | Wang Cuijun, Hu Xianfu | 17 January 1995 | HK\$10,000 | Investment, shareholding |
| COSCO Container Industries Limited | Liu Chong, Zhang Mingwen, Lin Feng, Ming Dong | 26 April 2004 | US\$50,000 | Investment, shareholding |

Changes in de facto controller during the Reporting Period

Applicable Not applicable

De facto controller controls the Company through trust or other asset management

Applicable Not applicable

4. 本公司是否存在实际控制人？ **10%**

Applicable Not applicable

5. 本公司是否存在实际控制人？

Applicable Not applicable

So far as the Directors are aware, as at 31 December 2017, the persons other than a Director, Supervisor or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong are as follows:

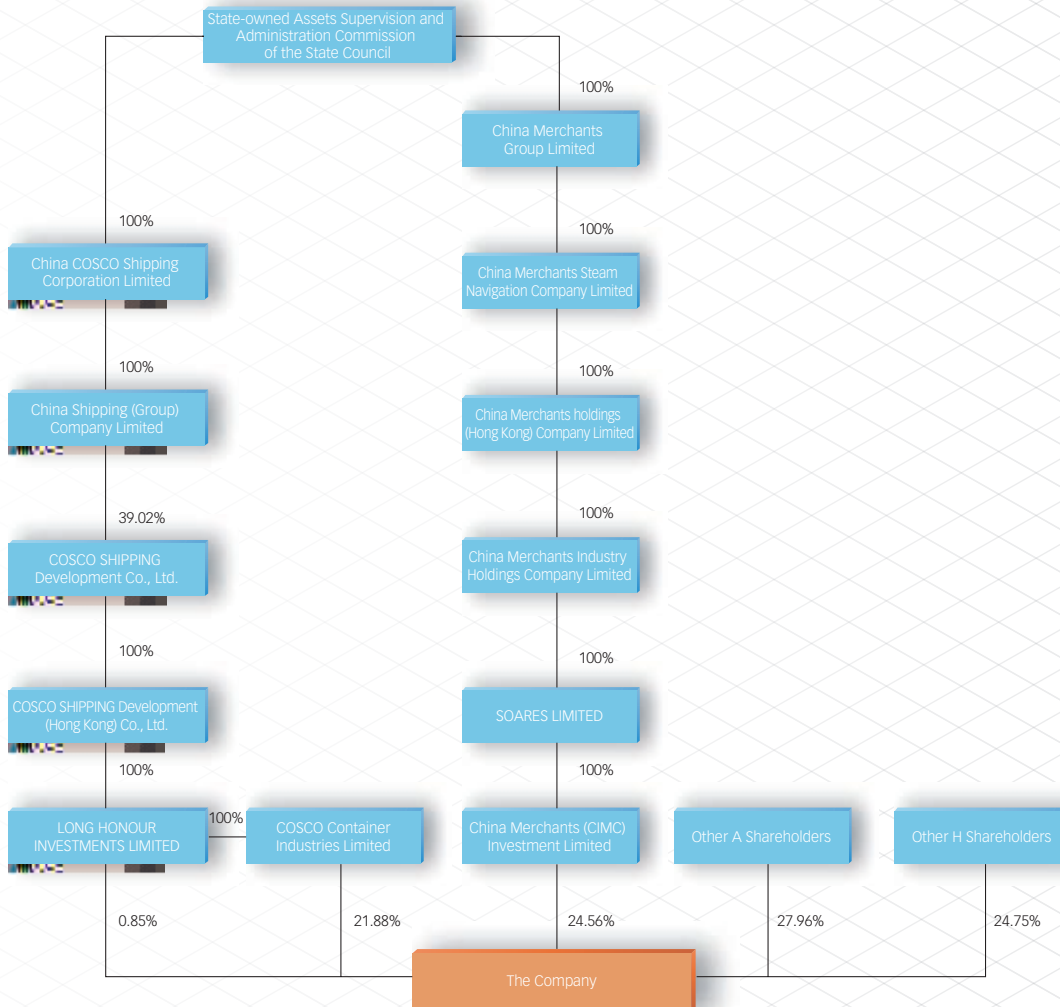
| Name of Shareholder | Nature of shareholding | Number of shares | Capacity | Percentage of such shares in the issued share capital of the same class (%) | Percentage of such shares in the total share capital (%) |
|---------------------|------------------------|------------------|----------|---|--|
| | | | | | |

The substantial Shareholders of the Company are China Merchants Group and China COSCO Shipping.

China Merchants Group was incorporated in October 1986 in the PRC. Its registered capital is RMB10.05 billion and its chairman of the board of directors is Mr. Li Jianhong. China Merchants Group's business focuses on three core industries, namely traffic (harbour, highway, shipping and transportation, logistics, ocean engineering and trade), finance (bank, securities, funds and insurance) and real estates (industrial zone development and real estate development). On 9 June 2017, China Merchants Port Holdings Company Limited, a subsidiary of China Merchants Group, completed the transaction of transferring all shares of Soares Limited to China Merchants Industry Holdings, another subsidiary of China Merchants Group. As of the end of the Reporting Period, China Merchants Group through its subsidiaries (including China Merchants Steam Navigation Company Limited, China Merchants Holdings (Hong Kong) Company Limited, China Merchants Industry Holdings, Soares Limited and China Merchants (CIMC) Investment) held 24.56% of the issued shares of the Company and remains as the largest shareholder of the Company indirectly.

China COSCO Shipping was incorporated in February 2016 in the PRC. Its registered capital is RMB11.0 billion and its legal representative is Mr. Xu Lirong. China COSCO Shipping takes shipping, integrated logistics and related financial services as the pillar to provide global integrated logistics supply chain services among various industrial clusters. As of the end of the Reporting Period, China COSCO Shipping, the second largest shareholder of the Company, through its subsidiaries (including China Shipping (Group) Company, COSCO SHIPPING Development, Long Honour and COSCO Container Industries, etc.) held 22.73% of the issued shares of the Company.

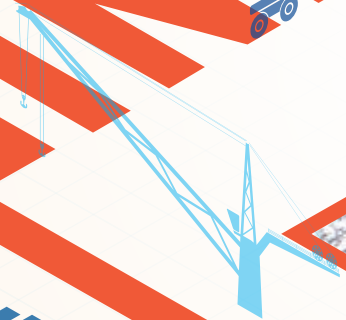
Except for the abovementioned China Merchants Group and China COSCO Shipping, no other legal person or individual holds 10% or more of the total issued share capital of the Company (excluding HKSCC Nominees Limited).



Based on the information that is publicly available to the Company as of the Latest Practicable Date and within the knowledge of the Directors of the Company, the Directors confirm that, the minimum public float of the Company has satisfied relevant provisions under the Hong Kong Listing Rules.

There were no preferred shares in the Company during the Reporting Period.

海洋工程 職業



MARKET BUSINESS



Chapter X



1. 董事

Information on the current Directors is set out below:

| Name | Gender | Age | Position | Term | Number of shares held in the Company (shares) | |
|------------------------|--------|-----|--|---|---|--------------------|
| | | | | | 31 December 2016 | 31 December 2017 |
| Wang Hong | M | 55 | Chairman and non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |
| Wang Yuhang | M | 56 | Vice chairman and non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |
| Mai Boliang | M | 58 | Executive Director, CEO and President | from 31 May 2016 to 2018 annual general meeting | 494,702 (A Shares) | 494,702 (A Shares) |
| Hu Xianfu | M | 48 | Non-executive Director | from 26 September 2017 to 2018 annual general meeting | Nil | Nil |
| Liu Chong | M | 47 | Non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |
| Pan Chengwei | M | 71 | Independent non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |
| Pan Zhengqi | M | 64 | Independent non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |
| Wong Kwai Huen, Albert | M | 66 | Independent non-executive Director | from 31 May 2016 to 2018 annual general meeting | Nil | Nil |

Information on Directors, Supervisors, Senior Management and Employees

Brief biography of Directors:

Mr. Wang Hong (王宏), aged 55, has been the chairman of the Company since 28 December 2015 and a Director of the Company since April 2007. Mr. Wang Hong has been the deputy general manager of China Merchants Group since March 2015, the general manager of the planning department of China Merchants Group from February 2011 to March 2015, and its chief economist from February 2012 to April 2015. Mr. Wang Hong has also been an executive director of China Merchants Holdings (International) Company Limited (currently renamed as China Merchants Port Holdings Company Limited, the same as below) (Hong Kong stock code: 144) since May 2005, the chairman of the supervisory committee of China Merchants Energy Shipping Co., Ltd from April 2014 to 16 June 2016, a director of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) from 26 June to 30 December 2015 and an independent director of Guangzhou Shipyard International Company Limited from June to November 2014. Mr. Wang Hong has been a director of China Merchants Energy Shipping Co., Ltd. (招商局能源運輸股份有限公司) (Shanghai stock code: 601872) from May 2010 to April 2014, and a director of China Merchants Property Development Co., Ltd. (Shenzhen stock code: 000024, also a company listed in Singapore) from April 2011 to July 2014. He worked as vice chairman of Shanghai International Port (Group) Co., Ltd. (Shanghai stock code: 600018) from June 2005 to July 2009, chairman of China Merchants Holdings (Pacific) Limited (a company listed in Singapore) from May 2005 to February 2009, deputy managing director of China Merchants Port Holdings Company Limited (Hong Kong stock code: 144) from 2005 to 2009 and its chief operational officer from 2007 to 2009. Prior to that, Mr. Wang Hong worked as a general manager of performance appraisal department, human resources department and strategic research department of China Merchants Group. He also served as managing director of Hoi Tung Marine Machinery Suppliers Limited, general manager of financial department, shipping department and vice manager of China Communications Import & Export Corporation and the marine engineer of COSCO Guangzhou Ocean Shipping Company (中遠廣州遠洋運輸公司). Mr. Wang Hong graduated from turbine management major in Dalian Maritime University in 1982 and obtained a Master Degree of Business Administration from Graduate School of University of Science and Technology Beijing in 1991 and a Ph.D. degree in management from Gradual School of Chinese Academy of Social Sciences in July 1999.

Mr. Wang Yuhang (王宇航), aged 56, is currently a deputy general manager and party committee member of China COSCO Shipping Corporation Limited. He has held positions in China Ocean Shipping (Group) Company including deputy manager of Personnel Department of Human Resources Division, deputy general manager of Development Division, deputy general manager of Human Resources Division, general manager of Supervision Division, deputy director of Discipline Inspection Commission, deputy director of Supervision Division, director of Legal Office, general manager of Human Resources Division, as well as vice president of COSCO Americas Inc., acting president of COSCO Americas Inc., deputy general manager and general manager of COSCO Shipbuilding Industry Company, general manager of COSCO Shipyard Group Co., Ltd. and vice president and party committee member of China COSCO Shipping Corporation Limited. With over 30 years' expertise in shipping industry, Mr. Wang Yuhang has rich experiences in human resources development, discipline inspection and corporate management. He begins his current office in January 2016. Mr. Wang Yuhang obtained his Bachelor's Degree in marine engineering from Dalian Maritime University. He is a senior engineer.

Mr. Mai Boliang (麥伯良), aged 58, has been the president of the Company since 7 March 1994, CEO and president of the Company since 27 August 2015 and an executive Director of the Company since 8 March 1994. Mr. Mai joined the Company in 1982 and served as manager of production technical department and the deputy

Information on Directors, Supervisors, Senior Management and Employees

Mr. Pan Chengwei (潘承偉), aged 71, graduated from The Ministry of Transportation Management Cadre Institute with an associate bachelor degree and is an accountant. Mr. Pan started his career in 1965 and retired in November 2008. He had served as the head of finance department of China Ocean Shipping Company, the general manager of finance department of China Ocean Shipping (Group) Company, the general manager of finance department of COSCO (Hong Kong) Group Limited, the general manager of COSCO (H.K.) Property Development Limited, the general manager of COSCO (H.K.) Industry & Trade Holdings Ltd., the chief representative of Shenzhen representative office of COSCO (Hong Kong) Group Limited and the chief financial officer of Shenzhen Guangju Energy Co., Ltd., the general manager of COSCO (Cayman) Fortune Holding Co., Ltd. and its Hong Kong branch, and the compliance manager of the fuel & oil futures department of China Ocean Shipping (Group) Company. He has been an independent director of Shenzhen Nanshan Power Co., Ltd. since May 2011 to 17 November 2017 and China Merchants Bank Co., Ltd. since July 2012, respectively.

Mr. Pan Zhengqi (潘正啟), aged 64, holds a master degree and the qualifications of senior economist and senior political worker. Mr. Pan successively served as seaman, secretary of Party Committee Office, section head, deputy director, director, manager of Enterprise Planning Division and concurrently director and secretary of Party Committee of No. 2 Ship Management Division and No. 4 Ship Management Division in Shanghai Ocean Shipping Company. He served as deputy general manager in Qingdao Ocean Shipping Company and concurrently general manager and secretary of Party Committee of Lianyungang Ocean Shipping Company; deputy general manager of COSCO Asia Company. He served as general manager of COSCO Asia Company and concurrently general manager of COSCO International City Development Company; vice president of COSCO Australia Company and concurrently general manager of COSCO New Zealand Company; party committee secretary of Shenzhen Ocean Shipping Company; deputy general manager of COSCO Hong Kong Shipping Company/Shenzhen Ocean Shipping

2.

Information on the current Supervisors is set out below:

| Name | Gender | Age | Position | Term | Number of shares held in the Company (shares) | |
|---------------|--------|-----|---------------------------------------|---|---|------------------|
| | | | | | 31 December 2016 | 31 December 2017 |
| Zhang Mingwen | M | 39 | Chairman of the Supervisory Committee | from 31 May 2016 to 2018 annual general meeting | 0 | 0 |
| Wang Hongyuan | M | 42 | Supervisor | from 26 September 2017 to 2018 annual general meeting | 0 | 0 |
| Xiong Bo | M | 58 | Supervisor | from 31 May 2016 to the date of the general staff meeting to be held in 2018 for electing Supervisors | 0 | 0 |

Brief biography of the Supervisors:

Mr. Zhang Mingwen (張銘文), aged 39, currently serves as the chief accountant and a member of the Party committee of COSCO SHIPPING Development. Mr. Zhang began his career in 1999. He served as the officer and vice supervisor of the settlement centre of China Shipping (Group) Company, the vice supervisor and deputy chief of the capital center of the financial planning department of China Shipping (Group) Company, the assistant to the general manager of the financial planning department of China Shipping (Group) Company and the assistant to the general manager of the financial capital department of China Shipping (Group) Company. Mr. Zhang Mingwen joined COSCO SHIPPING Development in November 2012 and served as the deputy chief accountant of COSCO SHIPPING Development and member of the Party committee from November 2012 to January 2014. He has served as the finance representative of COSCO SHIPPING Development since April 2013 and the chief accountant and a member of the Party committee since January 2014 till now. Mr. Zhang Mingwen graduated from Faculty of Finance of the Shanghai University of Finance and Economics, majoring in investment economics and obtaining a bachelor's degree in economics, and the Antai College of Economics & Management of Shanghai Jiao Tong University, majoring in business administration and receiving a MBA degree. He is a chartered financial analyst (CFA) and a senior accountant.

Information on Directors, Supervisors, Senior Management and Employees

Mr. Wang Hongyuan (王洪源), age 42, graduated from the Institute of Navigation of Dalian Maritime University and obtained a bachelor's degree in ocean vessel driving in July 1997. He started his career in July 1997 and obtained a master's degree from Transportation Management College of Dalian Maritime University as a full-time postgraduate student from August 2001 to June 2003. From July 1997 to August 2001, Mr. Wang successively worked as third officer, second officer, and practice officer of the vessel assigned to Panama of Shandong Shipping Group. From June 2003 to July 2005, he worked as senior project manager of the business development department (the former of gulf project group secretariat* (前海灣項目組秘書處)) of China Merchants Group. From July 2005 to August 2008, he was a senior project manager of the business management department of China Merchants Holdings (International) Company Limited. From August 2008 to October 2011, he served as the deputy general manager and general manager of China Merchants International Cold Chain Co., Ltd.* (招商局國際冷鏈有限公司) while also served as business director of China Merchants Maritime & Logistics (Shenzhen) Ltd. (Bonded Logistics), as well as, executive vice president of China Merchants Meileng Logistics Holdings Limited* (招商美冷物流控股有限公司). From October 2011 to December 2012, Mr. Wang worked as the deputy general manager of the enterprise strategic operations management department of China Merchants Holdings (International) Company Limited. From January 2013 to December 2013, he served as deputy general manager of China Merchants Port Services (Shenzhen) Company Limited* (招商港務(深圳)有限公司). From January 2014 to January 2015, Mr. Wang was the general manager assistant of China Merchants Food Supply Chain Management Co., Ltd. From January 2015 to December 2016, he served as director assistant of the capital management department of China Merchants Group Limited. From December 2016 to present, Mr. Wang has been the general manager of the strategic development department and the general manager of China Merchants Industry Holdings Company Limited* (招商局工業集團有限公司). From August 2017 to present, he has also been serving as the general manager of China Merchants Great Wall Ocean Technology Strategic Development Industry Fund* (招商局長城海洋科技戰略發展產業基金).

Mr. Xiong Bo (熊波), aged 58, joined the Company in 1991. He currently serves as the tax manager of Finance Management Department of the Company. Mr. Xiong has been the chairman of the Labour Union of the Company since 1996. He graduated from Heilongjiang Radio and TV University in 1982 with major in electronics and received a bachelor's degree.

3. 现任高级管理人员

Information on current members of the senior management is set out below:

| Name | Gender | Age | Position | Term | Number of shares held in the Company (shares) | |
|---------------|--------|-----|--|---|---|-----------------------|
| | | | | | 31 December 2016 | 31 December 2017 |
| Mai Boliang | M | 58 | CEO and president | from 28 March 2016 to 2019 annual Board meeting | 494,702
(A Shares) | 494,702
(A Shares) |
| Liu Xuebin | M | 58 | Vice president | from 28 March 2016 to 2019 annual Board meeting | 96,000
(A Shares) | 72,000
(A Shares) |
| | | | | | 2,400
(H Shares) | 2,400
(H Shares) |
| Wu Fapei | M | 59 | Vice president | from 28 March 2016 to 2019 annual Board meeting | 0 | 0 |
| Li Yinhui | M | 50 | Vice president | from 28 March 2016 to 2019 annual Board meeting | 0 | 0 |
| Yu Ya | M | 62 | Vice president | From 24 March 2015 to 31 March 2018 | 100,000
(A Shares) | 100,000
(A Shares) |
| Zhang Baoqing | M | 61 | Vice president | three years from 24 March 2015 | 0 | 0 |
| Gao Xiang | M | 52 | Vice president | three years from 1 April 2015 | 0 | 0 |
| Yu Yuqun | M | 52 | Secretary to the Board, Company Secretary | from 28 March 2016 to 2019 annual Board meeting | 0 | 0 |
| Zeng Han | M | 42 | General manager of financial department | from 27 March 2017 to 2020 annual Board meeting | 0 | 0 |
| Yang Rong | F | 42 | General manager of capital management department | from 28 March 2016 to 8 January 2018 (note) | 0 | 0 |

Note : On 8 January 2018, Ms. Yang Rong resigned as General manager of capital management department for personal reasons. On 15 January 2018, after due consideration of first meeting in 2018 of the eighth session of the board of the Company, consolidated the original financial management department and the capital management department as the new financial management department, and appointed Mr. Zeng Han as the general manager of the financial management department.

Information on Directors, Supervisors, Senior Management and Employees

Brief biography of the senior management:

Mr. Mai Boliang (麥伯良), is an executive Director, CEO and president of the Company. For details of Mr. Mai Boliang, please refer to “1. Directors” of “Brief Biography of the Directors, Supervisors and Senior Management” in this Chapter.

Mr. Liu Xuebin (劉學斌), aged 58, has been a vice president of the Company since March 2004. He joined the Group in 1982, and once worked in the Company’s Procurement Department from 1982 to 1990, deputy general manager of Nantong Shunda Container Co., Ltd. (南通順達集裝箱有限公司) from 1990 to 1994, deputy general manager of the Container Branch of the Company from 1994 to 1995, and general manager of Xinhui CIMC Container Co., Ltd. (新會中集集裝箱有限公司) from 1995 to 1997. From 1997 to 2013, he was appointed as general manager of Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (深圳南方中集集裝箱製造有限公司) and in December 1998, he held the positions of the assistant to the president of the Company and chairman of Xinhui CIMC Container Co., Ltd. (新會中集集裝箱有限公司). Since January 2011, he was appointed as deputy general manager of CIMC Containers Holding Co., Ltd. (中集集裝箱控股有限公司). Mr. Liu graduated from Shenzhen University with a bachelor degree in business administration in August 1990.

Mr. Wu Fapei (吳發沛), aged 59, has been a vice president of the Company since March 2004. He joined the Company in 1996, was appointed as the manager of Information Management Department in December 1996, then the assistant to the president in December 1998 and further the secretary of the Board from December 1999 to March 2004. Before that, he used to be a teacher and associate professor of School of Business Administration in South China University of Technology and the deputy general manager of Zhaoqing Nanhua Bicycle Ronghui Co., Ltd. in Guangdong. Mr. Wu graduated from South China University of Technology with a bachelor degree in mechanical manufacturing in July 1982 and a master degree in engineering in July 1989.

Mr. Li Yinhui (李胤輝), aged 50, has been a vice president of the Company since March 2004. He has been the chairman or director of a number of subsidiaries of the Company since 2004. He worked with us as part-time vice president from October 2002 to October 2003. Mr. Li worked in Ministry of Commerce from March 2003. Between May 1993 and March 2003, he worked in State Commission of Foreign Trade and Economic Cooperation. Prior to that, Mr. Li worked in Central Committee of Chinese Communist Youth League. He received his bachelor degree in history from Jilin University in July 1991, an MBA degree from School of Business in Nanjing University in December 1997 and Ph.D. in economics from Jilin University in June 2001. Mr. Li successfully completed a three years’ research at the postdoctoral centre of China Centre for International Economic Exchanges in September 2016.

Information on Directors, Supervisors, Senior Management and Employees

Mr. Yu Ya (于亞), aged 62, has been a vice president of the Company since March 2010. Mr. Yu has been working with the Company since August 2007, serving as vice secretary of the Party Committee and general manager of Public affairs department. He has also been the chairman or a director of a number of subsidiaries of the Company since October 2009. He once worked for central ministries as deputy director, for China Light Industry Corporation as vice president and for Capgemini as executive director and executive vice president in Greater China Region. Mr. Yu graduated from the Mechanical Engineering Department of Tianjin Light Industry Vocational Technical College in July 1984 and obtained a MBA degree from Nanjing University in June 1997.

Mr. Zhang Baoqing (張寶清), aged 61, was appointed as a vice president of the Company in March 2012. Since May 1995, Mr. Zhang has been the general manager of Xinhui CIMC Wood Co., Ltd. From June 1995 to May 2016, Mr. Zhang was the deputy general manager and then the general manager of Xinhui CIMC Containers Co., Ltd. (新會中集集裝箱有限公司), and from January 2003 to May 2016, he was also the general manager of Guangdong Xinhui CIMC Special Transportation Equipment Co., Ltd. (廣東新會中集特種運輸設備有限公司). Mr. Zhang once acted as the assistant to the president of the Group from March 2004 to March 2012, the general manager of CIMC Wood Development Co., Ltd from February 2009 to March 2013, the deputy general manager of CIMC Container Holding Co., Ltd. (中集集團集裝箱控股有限公司) under the Group since June 2011 and the general manager of CIMC Modular Building Investment Company Limited (中集模塊化建築投資有限公司) under the Group since March 2014. Before that, he once worked as assistant to the general manager and manager of technical department of Nantong Shunda Containers Co., Ltd. (南通順達集裝箱有限公司). Mr. Zhang is a senior engineer. He graduated from South China University of Technology with a bachelor degree in mechanical design and automation science in July 1982.

Mr. Gao Xiang (高翔), aged 52, has been a vice president of the Company since 1 April 2015. Mr. Gao graduated from Tianjin University majoring in marine and shipbuilding engineering. He is also a senior engineer. Mr. Gao acted as the general manager of Tianjin CIMC North Ocean Container Co., Ltd., Tianjin CIMC Containers Co., Ltd., Tianjin CIMC Logistics Equipments Co., Ltd., Tianjin CIMC Vehicle Logistics Equipments Co., Ltd. and Tianjin CIMC Special Vehicles Co., Ltd., respectively, from 1999 to 2008. He worked as the assistant to the president of CIMC from 2004 to 2008. He served as the executive director and general manager of CIMC Enric Holdings Limited in 2009 and then the chairman of this company since 1 April 2015. Mr. Gao is also the chairman of certain subsidiaries of CIMC Enric Holdings Limited.

Information on Directors, Supervisors, Senior Management and Employees

Mr. Yu Yuqun (于玉群), aged 52, has been the secretary to the Board of the Company since March 2004 and has been the Company Secretary since 25 October 2012. He joined the Company in 1992 and subsequently worked as deputy manager, manager of Financial Affairs Department and manager of the office of secretary to the Board, responsible for shareholder relationship, investor relationship and fund management. Mr. Yu became the representative for securities affairs of the Company since its listing on the Shenzhen Stock Exchange in 1994. Mr. Yu has been appointed as an executive director of CIMC Enric (Hong Kong stock code: 3899) since September 2007 and was re-designated as a non-executive director in 5 September 2016. He was a non-executive director of TSC Group Holdings Limited (formerly known as TSC Offshore Group Limited and whose shares are listed on the Main Board of the Stock Exchange) from 2011 to 2016. Mr. Yu is currently a non-executive director of CFE (whose shares are listed on the Main Board of the Stock Exchange), a non-executive director of Pteris Global Limited and the chairman of Shenzhen Sky Capital Co., Ltd. Mr. Yu is the member of the Appeal and Review Committee of the Shenzhen Stock Exchange and the member of the first session of Merger and Acquisition Finance Committee of China Association for Public Companies. From July 1987 to October 1989, he worked in the State Price Control Bureau. Mr. Yu graduated from Beijing University and obtained a bachelor's degree in economics in July 1987 and a master's degree in economics in July 1992.

Mr. Zeng Han (曾邗), aged 42, has been the general manager of the Financial Management Department of the Company since March 2017. Mr. Zeng joined the Company in 1999 and has successively served as manager of the Accounting Division of the Financial Management Department, assistant to the general manager of the Financial Management Department, deputy general manager and executive deputy general manager of the Financial Management Department. He also held a concurrent post as manager of the Financial Department of CIMC Enric (Hong Kong Stock Code: 3899) from 2009 to 2010. Since 2015, he has been appointed as directors of a number of subsidiaries and was appointed as the chairman of the Financial Informationization Decision-making Committee of the Group in 2016. Mr. Zeng 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. Mr. Zeng Han is a certified public accountant in China.

Ms. Yang Rong (楊榕), aged 42, has been the general manager of Capital Management Department of the Company since March 2016. Ms. Yang served as the finance manager both for Overseas Business Division and Information Network Business Division of Konka Group Co., Ltd. in addition to her positions as the general manager of Finance Department from April 1999 to December 2004. From January 2005 to November 2009, she served as the deputy director of Finance Department of OCT Enterprises Co., and chief financial officer (part-time) and deputy director of Audit Department of OCT (HK) Company Limited. Ms. Yang served as the chief financial officer of Konka Group Co., Ltd. from November 2009 to May 2014 and has served as the deputy general manager of Capital Management Department of the Company since June 2014. Graduated from Northwestern Polytechnical University, Ms. Yang obtained a bachelor degree in management engineering and a master degree in financial management in July 1996 and April 1999, respectively.



Information on Directors, Supervisors, Senior Management and Employees

2. 董事、监事及高级管理人员持有本公司股份的情况

For details of the interests in the underlying shares of the Company held by any Director, Supervisor and chief executive of the Company as at 31 December 2017, please refer to “XV. Implementation of the Company’s Share Option Incentive Scheme, Employee Stock Ownership Scheme or Other Employee Incentive Measures” of “Chapter VIII Significant Events” in this Report.

3. 董事、监事及高级管理人员持有或控制的公司股份

| Name | Name of associated corporation | Nature of interest | Number of Shares (shares) |
|-------------|--------------------------------|---------------------|---------------------------|
| Mai Boliang | CIMC Enric | Beneficial interest | 7,260,000 |

4. 董事、监事及高级管理人员的变动情况

| Name | Position | Type | Date | Reasons |
|---------------|--|------------------------------------|-----------|------------------------------------|
| Jin Jianlong | General Manager of the Finance Management Department | Retirement upon expiry of the term | 2017.3.27 | Retirement upon expiry of the term |
| Zeng Han | General Manager of the Finance Management Department | Appointment | 2017.3.27 | Appointment |
| Wang Zhixian | Non-executive Director | Resignation | 2017.8.7 | Resignation |
| Hu Xianfu | Non-executive Director | Election | 2017.9.26 | Election |
| Lv Shengzhou | Supervisor | Resignation | 2017.9.25 | Resignation |
| Wang Hongyuan | Supervisor | Election | 2017.9.26 | Election |

For the professional background and major working experience of current Directors, Supervisors and Senior Management and their main responsibility in the Company, please refer to "I. Brief Biography of the Directors, Supervisors and Senior Management" in this Chapter.

1.

| Name | Name of Shareholders' company | Position in Shareholders' company | Start of term of office | End of term of office | With compensation allowance from Shareholders' company or not |
|---------------|--|---|-------------------------|-----------------------|---|
| Wang Hong | China Merchants Group Limited | Deputy general manager | March 2015 | - | Yes |
| Wang Yuhang | China COSCO Shipping China Merchants Group | Deputy general manager | January 2016 | - | Yes |
| Hu Xianfu | China Merchants Industry Holdings Limited | General manager | December 2017 | - | Yes |
| Liu Chong | COSCO SHIPPING Development Co., Ltd. | Managing director | March 2016 | - | Yes |
| Zhang Mingwen | COSCO SHIPPING Development Co., Ltd. | Chief accountant | January 2014 | - | Yes |
| Wang Hongyuan | China Merchants Industry Holdings Limited | Deputy general manager and general manager of Strategy and Development Department | December 2016 | - | Yes |

Information on Directors, Supervisors, Senior Management and Employees

2. 2017年12月31日



Name

Name of other company

1. Remuneration of Directors, Supervisors and Senior Management

In accordance with the provisions of the Articles of Association, remuneration of the Company's Directors and Supervisors shall be determined by the General Meeting, while remuneration of the Senior Management shall be determined by the Board. During the Reporting Period, the Directors (apart from independent non-executive Directors) and Supervisors of the Company shall not receive remuneration due to holding the relevant positions of directors and supervisors. Senior Management shall receive remuneration from the Company or its subsidiaries. The Company has established complete salary system and remuneration regulations, and the Company adopts annual salary system. The Board of the Company shall pay remuneration to the Senior Management according to the "Regulations for Annual Performance Assessment and Incentive for the Personnel Employed by the CIMC Board".

Upon consideration and approval of the Board and the General Meeting, the independent non-executive Director was awarded with RMB200,000 per year as independent directors allowance during the Reporting Period. In addition, independent Directors did not receive other remuneration during the Reporting Period. The staff representative Supervisor Mr. Xiong Bo received remuneration from the Company due to the other position he held at the Company.

The details of remuneration (pre-tax) of current Directors, Supervisors and Senior Management are described in the following remuneration table for Directors, Supervisors and Senior Management.

Information on Directors, Supervisors, Senior Management and Employees

2. 2017年董事、监事、高级管理人员及员工薪酬情况

Unit: RMB thousand

| Name | Position | Gender | Age | Status | Total remuneration before tax from the Company | Remuneration Received from related parties of the Company |
|------------------------|--|--------|-----|---------------------------|--|---|
| Wang Hong | Chairman and non-executive Director | M | 55 | Current | - | - |
| Wang Yuhang | Vice chairman and non-executive Director | M | 56 | Current | - | - |
| Mai Boliang (Note 1) | Executive Director, CEO and president | M | 58 | Current | 4,675 | - |
| Wang Zhixian | Non-executive Director | M | 52 | Retirement | - | - |
| Hu Xianfu | Non-executive Director | M | 48 | Current | - | - |
| Liu Chong | Non-executive Director | M | 47 | Current | - | - |
| Pan Chengwei | Independent non-executive Director | M | 71 | Current | 200 | - |
| Pan Zhengqi | Independent non-executive Director | M | 64 | Current | 200 | - |
| Wong Kwai Huen, Albert | Independent non-executive Director | M | 66 | Current | 200 | - |
| Zhang Mingwen | Chairman of the Supervisory Committee | M | 39 | Current | - | - |
| Lv Shengzhou | Supervisor | M | 54 | Retirement | - | - |
| Wang Hongyuan | Supervisor | M | 42 | Current | - | - |
| Xiong Bo (Note 2) | Supervisor | M | 58 | Current | 348 | - |
| Liu Xuebin | Vice president | M | 58 | Current | 2,183 | - |
| Wu Fapei | Vice president | M | 59 | Current | 2,169 | - |
| Li Yinhui | Vice president | M | 50 | Current | 1,472 | - |
| Yu Ya | Vice president | M | 62 | Current | 1,834 | - |
| Zhang Baoqing | Vice president | M | 61 | Current | 2,222 | - |
| Gao Xiang | Vice president | M | 52 | Current | 2,455 | - |
| Yu Yuqun | Secretary to the Board | M | 52 | Current | 2,131 | - |
| Jin Jianlong (Note 3) | General Manager of Financial Management Department | M | 64 | Retirement | 330 | - |
| Zeng Han (Note 3) | General Manager of Financial Management Department | M | 42 | Current | 1,033 | - |
| Yang Rong (Note 3) | General Manager of Capital Management Department | F | 42 | Retired on 8 January 2018 | 1,846 | - |
| Total | - | - | - | - | 23,298 | - |

Note 1: As the executive Director of the Company, Mr. Mai Boliang has received the remuneration from the Company due to his position of CEO and president in the Company.

Note 2: Mr. Xiong Bo has received remuneration from the Company due to his position held in the Company other than the Supervisor.

Note 3: Approved by the first meeting in 2017 of the eighth session of the Board of the Company, Mr. Jin Jianlong, left office due to the expiration of the term while Mr. Zeng Han was appointed as the general manager of finance management department. On 8 January 2018, Ms. Yang Rong resigned as general manager of capital management department for personal reasons. On 15 January 2018, after due consideration of first meeting in 2018 of the eighth session of the board of the Company, consolidated the original financial management department and the capital management department as the new financial management department, and appointed Mr. Zeng Han as the general manager of the consolidated financial management department

The top five people who received the highest remuneration from the Group in 2017 have been listed in the above table.

3. 限制性股票激励计划授予限制性股票的情况

| Name | Position | Exercisable during the Reporting Period (shares) | Exercised during the Reporting Period (shares) | Exercise price of Exercised during the Reporting Period (RMB/share) | Market price at the end of the Reporting Period (RMB/share) | Number of Restricted shares at the beginning of the Period (shares) | Number of newly granted restricted shares during the Reporting Period (shares) | Grant price of restricted Shares (RMB/share) | Number of restricted shares held at the end of the Period (shares) |
|---------------|--|--|--|---|---|---|--|--|--|
| Mai Boliang | Executive Director, CEO and president | 2,850,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Liu Xuebin | Vice president | 997,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Wu Fapei | Vice president | 750,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Li Yinhui | Vice president | 750,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Yu Ya | Vice president | 650,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Zhang Baoqing | Vice president | 750,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Gao Xiang | Vice president | 375,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Yu Yuqun | Secretary to the Board | 750,000 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Zeng Han | General Manager of Financial Management Department | 288,750 | 0 | 10.49 | 22.85 | 0 | 0 | 0 | 0 |
| Total | — | 8,160,750 | 0 | — | — | 0 | 0 | 0 | 0 |

Note: On 27 March 2017, the Company's senior management Mr. Jin Jianlong retired. As at 31 December 2017, Mr. Jin Jianlong still had 516,000 unexercised A share options of the Company and 140,000 unexercised options of CIMC Enric.

4. 高级管理人员薪酬政策

The remuneration policy of the Senior Management of the Company shall be subject to the "Regulations for Annual Performance Assessment and Incentive for the Personnel Employed by the CIMC Board". The Company's senior management remuneration policy links financial interests of the senior management with the Group's operating results and the performance of its shares in the market.

Information on Directors, Supervisors, Senior Management and Employees

一、 董事、 监事、 高级管理人员和员工情况

1. 董事、 监事、 高级管理人员和员工情况

| | |
|--|--------|
| Number of in-service employees of the Company | 265 |
| Number of in-service employees of principal subsidiaries | 50,424 |
| Total number of in-service employees | 50,689 |

Chapter XI

Corporate Governance and Corporate Governance Report

The Company has prepared the “Corporate Governance Work Report” and the “Corporate Governance Report” in accordance with different requirements in form and content of PRC securities regulatory authorities and the Hong Kong Listing Rules, respectively. To keep the presentation lucid and to avoid undue repetitions, a cross-referencing approach has been adopted.



1. .T A \ , \ , \ , A , \ , \ , A ,

During the Reporting Period, the Company continued to enhance and improve the Company’s corporate governance and standardised operation in strict compliance with the requirements of laws and regulations including the PRC Company Law, Corporate Governance Guidelines for Listed Companies, Guidance Opinion on Establishing a System of Independent Directors in Listed Companies, Rules of General Meetings of Listed Companies and Guidelines on the Articles of Association of Listed Companies as well as the requirements of the Listing Rules. The Company has established a corporate governance structure which is in line with the requirements of management of modern enterprise and ensures the full and balanced performance of all functions. In accordance with a series of rules and regulations of the Company such as the Rules of Procedure for Shareholders’ Meeting, the Rules of Procedure for Board, the Rules of Procedure for Supervisory Committee and the Working rules for the President, the Company implemented effective corporate governance by giving full play to the role of Board committees. The functions and responsibility of the general meeting, the Board and the Supervisory Committee were thus fully performed and balanced, which safeguarded the interests of the Shareholders and the Company effectively ensured the sustainable and healthy development of the Company. In November 2017, as one of the pilot units to the international standard of ISO 37001 Anti-bribery Management Systems, the Company was invited to participate in the Global Summit for Best Practice of Anti-bribery Management, and our subsidiary CIMC Tianda was the first to be awarded the ISO 37001 Anti-bribery Management Systems accreditation certificate in China.

In accordance with standards for the corporate governance of listed companies by CSRC, CSRC Shenzhen Bureau, Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the Company positively and timely completed corporate governance rectification, special inspection and system establishment as required by relevant regulatory authorities. In 2017, the Company was awarded the National Science and Technology Progress Award by the State Council and was ranked 37th among the Top 500 Enterprises in Guangdong Province by the Guangdong Provincial Enterprise Confederation.

In 2017, the Company continued to place emphasis on and was committed to improving investor relations management. According to relevant laws and regulations such as the Company Law, the Securities Law, and the Manual for Investor Relations Management of Listed Companies and the requirements of the Articles of Association, the Company followed the principles of “full and compliance disclosure of information, equal opportunity for all investors, honesty and integrity, and interactive communication” throughout management of the investor relations. In the interests of medium and small investors, the Company adopted effective and convenient measures in daily work and settlement of major issues to strengthen all-around and effective communication with Shareholders and investors. Selective disclosure was avoided to ensure the interests of medium and small Shareholders in respect of obtaining corporate information in a fair and just manner. It earnestly conducted daily reception, patiently answered inquiries of investors through phone calls, participated in annual investment conferences and thematic meetings held by domestic and international securities brokers and conducted “one to one” or “one to many” communications with institutional investors. In respect of the

Corporate Governance and Corporate Governance Report

newsworthy events or emergencies concerned by Shareholders and investors, the Company replied the online inquiries on the "Interaction Easy" and "Interactive Platform for Investor Relations" of the Shenzhen Stock Exchange to achieve timely, patient and objective communications with medium and small investors. In 2017, the Company received visits, researches and plant visits from various institutional investors of fund and investment companies, securities companies and individual investors of approximately 35 times in total. CIMC arranged for institutional investors such as securities brokers and funds to conduct field researches to the Company several times to visit the operational bases or projects of automation logistics, containers, automobile and airport businesses, enabling them to deeply understand the development of strategically emerging industries and new business expansion of the Company. Through demonstration of technological research results and development objectives of various business segments, the Company enabled its investors and Shareholders to further recognise their investment value, enhanced the confidence of its investors, safeguarded the rights to know of medium and small investors, strengthened the sense of belonging of Shareholders in the Company and created good Shareholders' culture. In addition, the Company held the Disclosure Meeting of Annual Results of 2016 at the end of March and Disclosure Meeting of Interim Results of 2017 at the end of August respectively, and provided live broadcast of the meetings to domestic investors through the live webcasting platform. Further, the Company distributed in 2017 the contents of the official website of the Company through the mobile platform in a timely manner, with a view to enrich information sources for medium and small investors.

Any difference between corporate governance and the standards of the normative documents regarding corporate governance of listed companies issued by the CSRC

Yes No

Formulation and implementation of registration and management system of insiders

The Company has established an Insider Registration and Management System according to various securities regulatory requirements. The above system, which specifies the scope of inside information and insiders, the approval, registration and filing system of inside information and confidentiality obligation, has become an important part of the Company's internal control system. In respect of implementation of inside information and insider management system, the Company carried out an effective supervision on internal circulation and disclosure of inside information in accordance with the various systems and requirements on a strict basis. Self examination result shows that no insiders have used any inside information to trade the Company's shares before disclosure of major sensitive information affecting the Company's share price in 2017.

2.



The direct substantial Shareholders of the Company are China Merchants (CIMC) Investment (its controlling shareholder is China Merchants Group) and COSCO Container Industries (its controlling shareholder is China COSCO Shipping). The Company has an independent and complete business system and has the capacity for independent operation in the market. The Company is fully independent from its substantial Shareholders in respect of our business, personnel, asset, organisational structure and finance, and they independently proceed with audit and assume responsibilities and risks. (1) Business: The production system, purchase system, auxiliary

Corporate Governance and Corporate Governance Report

3.

A

Applicable Not applicable

China Merchants (CIMC) Investment, a direct Shareholder of the Company, is a wholly-owned subsidiary of China Merchants Industry Holdings and its de facto controller is China Merchants Group. So far as the Company is aware, China Merchants (CIMC) Investment is not engaged in any business related to the principal businesses of the Group, but horizontal competition relationship exists between the Company and other subsidiaries of China Merchants Group, namely, the offshore engineering business of the Group is the same or similar to that of the subsidiaries under China Merchants Group, which constitutes a horizontal competition relationship. The Company has tapped into the offshore engineering business market through acquisition of Yantai CMIC Raffles Offshore Ltd. and treats the offshore engineering business as one of the core businesses of the Company. Other than this, there is no horizontal competition relationship between the controlling Shareholder and the de facto controller of China Merchants (CIMC) Investment and the Group.

The de facto controller of COSCO Container Industries and Long Honour, a direct Shareholder of the Company, is China COSCO Shipping. So far as the Company is aware, COSCO Container Industries and Long Honour is not engaged in any business related to the principal businesses of the Group, but horizontal competition relationship exists between the Company and other subsidiaries of China COSCO Shipping, namely, the container manufacturing business, the logistics service business and the financing lease business under the financial business of the Company are the same or similar to those of the subsidiaries under China COSCO Shipping, which constitutes a horizontal competition relationship. Other than this, there is no horizontal competition relationship between the controlling Shareholder and the de facto controller of COSCO Container Industries and Long Honour and the Group.

4.

(1)

| Session of meeting | Type of meeting | Proportion of investors' participation (note) | Date | Notification Date | Disclosure date | Disclosure index |
|---|-------------------------------|---|------------|-------------------|-----------------|--------------------------------------|
| 2016 annual general meeting | Annual general meeting | 57.25% | 2017.6.9 | 2017.4.21 | 2017.6.9 | |
| First 2017 A Shareholders' class meeting | Extraordinary general meeting | 34.61% | 2017.6.9 | 2017.4.21 | 2017.6.9 | |
| First 2017 H Shareholders' class meeting | Extraordinary general meeting | 73.92% | 2017.6.9 | 2017.4.21 | 2017.6.9 | www.cninfo.com.cn
www.hkexnews.hk |
| 2017 first extraordinary general meeting | Extraordinary general meeting | 57.46% | 2017.9.26 | 2017.8.11 | 2017.9.26 | |
| 2017 second extraordinary general meeting | Extraordinary general meeting | 52.71% | 2017.10.30 | 2017.9.13 | 2017.10.30 | |

Note: The proportion of investors' participation represents the shareholding proportion of the total share capital of the Company held by the participating investors.

(2)

Applicable ✓ Not applicable

5.

In 2017, the independent non-executive Directors of the Company were committed to strictly and diligently performing their duties in accordance with relevant domestic and overseas laws and regulations and the Articles of Association. During the Reporting Period, they reviewed the proposals and relevant documents presented by the Company and actively participated in the meetings of the Board and special committees of the Board. They expressed their views objectively and independently protected the interests of the independent Shareholders and played a part in the balancing of decision-making process of the Board. Independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing works. Such meetings were held prior to the Board meetings. During the Reporting Period, the independent Directors of the Company did not object to any motions, resolutions and other matters discussed at the meetings of the Board.

Corporate Governance and Corporate Governance Report

(1)

Independent Directors' Attendance to the Board Meetings

| Name of independent Director | Required number of Board meetings to attend during the Reporting Period | Attendance | | | Absence | Not attending in person for two consecutive meetings |
|--|---|----------------------|--|---------------------|---------|--|
| | | Attendance in person | Attendance by means of telecommunication | Attendance by proxy | | |
| Pan Chengwei | 21 | 3 | 18 | 0 | 0 | No |
| Pan Zhengqi | 21 | 3 | 18 | 0 | 0 | No |
| Wong Kwai Huen, Albert | 21 | 3 | 18 | 0 | 0 | No |
| Times of attendance of independent Directors at the general meetings | Please refer to "(2) Attendance of the Directors at the general meetings" of "4. Shareholders and General Meetings" under "Part II: Corporate Governance Report (Prepared in Accordance with the Requirements of the Hong Kong Listing Rules)" in this chapter for details. | | | | | |

(2)

During the Reporting Period, the independent Directors did not present any opposition to relevant proposals of the Company.

(3)

None

6.

The Board has set up five special committees, i.e. Audit Committee, Remuneration and Appraisal Committee, Strategic Development Committee, Nomination Committee and Risk Management Committee. These special committees conscientiously performed their duties in accordance with the Governance Guidelines of Listed Company, the Hong Kong Listing Rules, the Articles of Association, the Rules of Procedures of the Board, and the authorities and obligations mandated by the implementation rules of each special committee. For the meetings of each special committee under the Board during the Reporting Period, please refer to "3. Special Committees of the Board" under "Part II: Corporate Governance Report (Prepared in Accordance with the Requirements of the Hong Kong Listing Rules)" in this chapter.

7. 7.1 7.2 7.3 7.4 7.5 7.6 7.7 7.8 7.9 7.10 7.11 7.12 7.13 7.14 7.15 7.16 7.17 7.18 7.19 7.20 7.21 7.22 7.23 7.24 7.25 7.26 7.27 7.28 7.29 7.30 7.31 7.32 7.33 7.34 7.35 7.36 7.37 7.38 7.39 7.40 7.41 7.42 7.43 7.44 7.45 7.46 7.47 7.48 7.49 7.50 7.51 7.52 7.53 7.54 7.55 7.56 7.57 7.58 7.59 7.60 7.61 7.62 7.63 7.64 7.65 7.66 7.67 7.68 7.69 7.70 7.71 7.72 7.73 7.74 7.75 7.76 7.77 7.78 7.79 7.80 7.81 7.82 7.83 7.84 7.85 7.86 7.87 7.88 7.89 7.90 7.91 7.92 7.93 7.94 7.95 7.96 7.97 7.98 7.99 7.100

Any risk of the Company discovered by the Supervisory Committee in its supervision during the Reporting Period

Yes No

8. 8.1 8.2 8.3 8.4 8.5 8.6 8.7 8.8 8.9 8.10 8.11 8.12 8.13 8.14 8.15 8.16 8.17 8.18 8.19 8.20 8.21 8.22 8.23 8.24 8.25 8.26 8.27 8.28 8.29 8.30 8.31 8.32 8.33 8.34 8.35 8.36 8.37 8.38 8.39 8.40 8.41 8.42 8.43 8.44 8.45 8.46 8.47 8.48 8.49 8.50 8.51 8.52 8.53 8.54 8.55 8.56 8.57 8.58 8.59 8.60 8.61 8.62 8.63 8.64 8.65 8.66 8.67 8.68 8.69 8.70 8.71 8.72 8.73 8.74 8.75 8.76 8.77 8.78 8.79 8.80 8.81 8.82 8.83 8.84 8.85 8.86 8.87 8.88 8.89 8.90 8.91 8.92 8.93 8.94 8.95 8.96 8.97 8.98 8.99 8.100

In order to promote the Company's development in a standardised, sound and orderly manner, to attract more talents and to maintain the stability of the senior management, the Board has formulated the Regulations for Annual Performance Assessment and Incentive for the Personnel Employed by the CIMC Board, and established the performance appraisal and incentive and restraint mechanisms which link the remuneration of senior management with both the Company's performance and individual performance.

On 17 September 2010, as considered and approved at the first extraordinary general meeting in 2010 of the Company, the Company launched and implemented an incentive scheme of the share option of A Shares. For relevant information, please refer to "XV. Implementation of the Company's Share Option Incentive Scheme, Employee Stock Ownership Scheme or Other Employee Incentive Measures" of "Chapter VIII Significant Events" in this Report. The A Share(s) share option incentive scheme is conducive to the interest sharing and restriction mechanism between the Shareholders, the management and key staff. The management can better balance short-term and long-term targets; attract and retain excellent management personnel and business backbones; continue to create incentive value, ensure long-term stable development of the Company and reinforce competitiveness of the Company.

9. 9.1 9.2 9.3 9.4 9.5 9.6 9.7 9.8 9.9 9.10 9.11 9.12 9.13 9.14 9.15 9.16 9.17 9.18 9.19 9.20 9.21 9.22 9.23 9.24 9.25 9.26 9.27 9.28 9.29 9.30 9.31 9.32 9.33 9.34 9.35 9.36 9.37 9.38 9.39 9.40 9.41 9.42 9.43 9.44 9.45 9.46 9.47 9.48 9.49 9.50 9.51 9.52 9.53 9.54 9.55 9.56 9.57 9.58 9.59 9.60 9.61 9.62 9.63 9.64 9.65 9.66 9.67 9.68 9.69 9.70 9.71 9.72 9.73 9.74 9.75 9.76 9.77 9.78 9.79 9.80 9.81 9.82 9.83 9.84 9.85 9.86 9.87 9.88 9.89 9.90 9.91 9.92 9.93 9.94 9.95 9.96 9.97 9.98 9.99 9.100

(1)

Corporate Governance and Corporate Governance Report

(2) 内部控制的自我评价

| | |
|---|-------------------|
| Disclosure date of full text of internal control assessment report | 27 March 2018 |
| Disclosure index of full text of internal control assessment report | www.cninfo.com.cn |
| Proportion of total assets of the units incorporated in the assessment scope in the Company's total assets in the consolidated financial statements | 95% |
| Proportion of revenue of the units incorporated in the assessment scope in the Company's revenue in the consolidated financial statements | 95% |

| Category | Deficiency identification criteria | |
|-----------------------|--|---|
| | Financial reporting | Non-financial reporting |
| Qualitative benchmark | <p>Significant deficiency:</p> <ol style="list-style-type: none"> Discovery of acts of irregularity by Directors, Supervisors or the management that caused significant impacts in financial reporting; Amendment to published financial statements to reflect correction to significant reporting errors due to mistakes or irregularities; The presence of significant reporting errors affecting the current financial statements remaining undetected by the assessed entity's internal controls systems, but was discovered by auditors; Significant deficiency that has been reported to the management and the Board but remains uncorrected after a reasonable period of time; alternatively, although the assessed entity has adjusted its significantly deficient internal controls prior to the baseline date, however, the new controls have not been in operation for a sufficiently long period; Ineffective monitoring on internal controls by the Audit Committee and the internal auditing unit. | <p>Significant deficiency:</p> <ol style="list-style-type: none"> The assessed entity's business activities are in serious violation of the laws and regulations of the State; Non-compliance in major policy decisions, substantive matters, appointment and dismissal of key personnel, as well as the decision processes for large sum payments. <p>Important deficiency:</p> <ol style="list-style-type: none"> Important deficiencies remain un-rectified after being reported to the management and after lapse of a reasonable period; Patented technology or proprietary technology is infringed upon or confidentiality is compromised thus undermining market competitiveness of the assessed entity's one or more products; but this has not affected the assessed entity's market position. |

| Category | Deficiency identification criteria | |
|----------|--|---|
| | Financial reporting | Non-financial reporting |
| | <p>Important deficiency:</p> <p>Deficiency in internal controls in the following areas, which after general analysis still cannot ensure the authenticity, accuracy and reliability of the financial statements should be determined to be important deficiency:</p> <ul style="list-style-type: none"> • Internal controls on the choice and application of accounting policies according to generally accepted accounting standards; • Anti-fraud procedures and controls; • Internal controls on unconventional or non-systematic transactions; • Internal controls on end-period financial reporting processes; • Internal controls on information systems relating to financial reporting; • Failure in compliance with supervisory functions that can have a major impact on the reliability of financial reporting; • Penalty sanctions by the state authorities which have not impacted negatively on the assessed entity's regular reporting disclosure; • For companies that are required to put in place internal auditing or risk assessment functions for effective monitoring, the failure of such functions. <p>General deficiency:</p> <p>Penalty sanctions by provincial (inclusive) or lower level authorities which have not impacted negatively on the assessed entity's regular reporting disclosure.</p> | <p>General deficiency:</p> <p>Patented technology or proprietary technology is infringed upon or confidentiality is compromised thus undermining market competitiveness of the assessed entity's one or more products; but the effect is minimal.</p> |

Corporate Governance and Corporate Governance Report

| Category | Deficiency identification criteria | |
|------------------------|---|--|
| | Financial reporting | Non-financial reporting |
| Quantitative benchmark | <p>(The erroneously reported amounts (X) in financial statements falls between the following range)</p> <p>Significant deficiency:</p> <ol style="list-style-type: none"> 1. $x \geq 0.5\%$ of total sales revenues; 2. $x \geq 5\%$ of total profits; 3. $x \geq 1\%$ of total assets; 4. $x \geq 1\%$ of total stakeholders' interests. <p>Important deficiency:</p> <ol style="list-style-type: none"> 1. 0.1% of total sales revenues $\leq x < 0.5\%$ of total sales revenues; 2. 1% of total profits $\leq x < 5\%$ of total profits; 3. 0.2% of total assets $\leq x < 1\%$ of total assets; 4. 0.2% of total stakeholders' interests $\leq x < 1\%$ of total stakeholders' interests. | <p>Significant deficiency:</p> <ol style="list-style-type: none"> 1. Failure to maintain and/or update documentation contents for the internal controls systems for 3 years and more in succession, and failure to retain a full set of working papers for internal controls sampling checks; 2. Continuous interruption of normal services for a period of over 48 hours in such important public IT systems or platforms as corporate communication systems (including network, correspondence, telephone), ERP system, financial information system, PDM system, OA system and so on. <p>Important deficiency:</p> <ol style="list-style-type: none"> 1. Failure to maintain and/or update documentation contents for the internal controls systems for 2 years in succession, and failure to retain a full set of working papers for internal controls sampling checks; 2. Continuous interruption of normal service for a period of over 24 hours but less than 48 hours, in such important public IT systems or platforms as corporate communication systems (including network, correspondence, telephone), ERP system, financial information system, PDM system, OA system and so on. <p>General deficiency:</p> <ol style="list-style-type: none"> 1. Failure to perform annual maintenance and update of internal controls system documentation, and failure to retain a full set of working papers for internal controls sampling checks; 2. Instabilities with occasional service interruption of such important public IT systems or platforms as corporate communication systems (including network, correspondence, telephone), ERP system, financial information system, PDM system, OA system and so on; but normal operation can be recovered within a period of 24 hours. |

| Category | Deficiency identification criteria | |
|---|--|-------------------------|
| | Financial reporting | Non-financial reporting |
| | General deficiency: | |
| | 1. $x < 0.1\%$ of total sales revenues; | |
| | 2. $x < 1\%$ of total profits; | |
| | 3. $x < 0.2\%$ of total assets; | |
| | 4. $x < 0.2\%$ of total stakeholders' interests. | |
| Number of significant deficiency of financial reporting | | 0 |
| Number of significant deficiency of non-financial reporting | | 0 |
| Number of important deficiency of financial reporting | | 0 |
| Number of important deficiency of non-financial reporting | | 0 |

10. 

Applicable Not applicable

The paragraphs of opinions on approval in the internal control audit report

In our opinion, CIMC has maintained effective internal controls in respect of financial reporting in all material aspects in accordance with the Basic Norms for Enterprise Internal Controls and relevant requirements on 31 December 2017.

| | |
|--|----------------------|
| Disclosure of internal control audit report | Disclosed |
| Disclosure date of full text of internal control audit report | 27 March 2018 |
| Disclosure index of full text of internal control audit report | www.cninfo.com.cn |
| Category of opinions in internal control audit report | Unqualified opinions |
| Whether there are material deficiencies in non-financial reporting | None |

Whether the accountants firm prescribes internal control audit report of non-standard views

Yes No

Whether the internal control audit report prescribed by accountants firm is consistent with the self-evaluation report of the Board

Yes No

Corporate Governance and Corporate Governance Report

The Company has been committed to enhancing its corporate governance standards. Through strict corporate governance practices, the Company strives to enhance corporate value and ensure our long-term sustainable development, and to fulfil corporate responsibility as a listed company as well as maximise long-term Shareholders value. The Company has complied with the code provisions under the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules during the Reporting Period, except for deviation of code provisions A.1.1, A.2.7, A.6.7 and E.1.2. The details of deviation from the code provisions of Corporate Governance Code and its considerations are disclosed in relevant paragraphs below.

1. The Company has adopted the provisions in relation to dealing in shares of the Company by Directors and Supervisors as set out in Appendix 10 of the Hong Kong Listing Rules. Having made enquiries to all Directors and Supervisors, each Director and Supervisor has confirmed to the Company that each of them has complied with the requirements set out in the Model Code during the Reporting Period.

2. (1) The Board of the Company is elected by the general meeting of the Company through voting and is held accountable to the general meeting. The primary responsibilities of the Board are to provide strategic guidance to the Company, exercise effective supervision over the senior management, ensure that the Company's interests are protected and are accountable to the Shareholders. As considered and approved at the first meeting in 2017 of the eighth session of the Board held on 27 March 2017, the Company has issued the Insider Registration and Management System of China International Marine Containers (Group) Co., Ltd. and the Implementation Rules of the Risk Management Committee of the Board of Directors of China International Marine Containers (Group) Co., Ltd.. The full text of the which were published on Cninfo website (www.cninfo.com.cn), the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.cimc.com) on 28 March 2017.

In accordance with the Articles of Association and the Rules of Procedures of the Board, the authorities of the Board include: (1) to convene general meetings and report to the meetings; (2) to implement the resolutions passed at general meetings; (3) to determine the Company's business plans and investment schemes; (4) to prepare the Company's annual financial budget and final accounts; (5) to formulate the Company's profit distribution plan and loss recovery plan; (6) to formulate proposals for increases or reductions of the Company's registered capital and for the issuance and listing of corporate bonds or other securities; (7) to draft plans for material acquisition, share repurchase, merger, division, dissolution or change in corporate form; (8) to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, and external guarantee within the authorisation of the general meeting; (9) to determine the establishment of the Company's internal management structure; (10) to appoint or dismiss the Company's president and the secretary of the Board; and pursuant to the president's nominations, to appoint or dismiss senior officers including vice presidents and chief financial officer of the Company and to decide on their remuneration, rewards and penalties; (11) to formulate the Company's basic management system; (12) to formulate the proposed amendments to the Articles of Association; (13) to deal with information disclosures of the Company; (14) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company; (15) to receive work report submitted by the president and to review his performance; (16) to evaluate and determine the nature and extent of risks the Company is willing to take in achieving its strategic objectives, and to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems; (17) to supervise the management on the design, implementation and monitoring of the risk management and internal control systems; and (18) to exercise other duties and powers specified in the laws, administrative regulations, rules of regulatory authorities or the Articles of Association.

During the Reporting Period, the Directors and the Board of the Company carried out corporate governance duties in respect of the Company in a serious and responsible manner. The Directors were elected by strictly following the procedures for election and appointment of Directors provided for in the Articles of Association. All Directors attended Board meetings in a serious and responsible manner, performed their duties as Directors seriously and diligently, made important decisions concerning the Company, appointed and removed and supervised the members of the operation units of the Company.

Corporate Governance and Corporate Governance Report

(2)

According to the Articles of Association, the Board consists of eight Directors, including one chairman, one vice chairman and three independent non-executive Directors.

During the Reporting Period, on 7 August 2017, Mr. Wang Zhixian, a non-executive Director, resigned from the position of non-executive Director of the Company and all positions in the Risk Management Committee and the Remuneration and Appraisal Committee of the Board due to the change in job assignments. On 26 September 2017, upon approval by Shareholders at the first extraordinary general meeting in 2017, Mr. Hu Xianfu has been appointed as a non-executive Director of the eighth session of the Board of the Company, and upon the fourteenth meeting in 2017 of the eighth session of the Board of the Company, Mr. Hu Xianfu has been elected as the chairman of the Risk Management Committee and a member of the Remuneration and Appraisal Committee. For details, please refer to “IV. Changes of Directors, Supervisors and Senior Management of the Company” of “Chapter X Information on Directors, Supervisors and Senior Management and Employees” in this Report.

Among the current Directors, the four non-executive Directors have vast and extensive experience in business and management; the three independent non-executive Directors also own profound academic and professional qualifications and rich industry experience in shipping, finance, legal and management. Especially, Mr. Pan Chengwei, an independent non-executive Director, has appropriate accounting and financial management expertise. The professional qualifications and abundant experience of current Directors help the Board rigorously review and monitor management procedures to ensure the interests of all Shareholders, including minority Shareholders. Profiles of Directors of the Company are set out in the section headed “Brief Biography of the Directors” under “Chapter X Information on Directors, Supervisors, Senior Management and Employees” of this Report. The personnel qualification and composition of the Board of the Company comply with Rule 30.5(e) of the Listing Rules.

(3) → ...

→ ... **A** ...

Corporate Governance and Corporate Governance Report

The Board convened 21 Board meetings and 16 meetings of special committees of the Board and passed 35 resolutions of the Board and 27 letters of opinions from Board committees during the Reporting Period.

| Session of meeting of the Board | Date | Resolutions of the Board considered |
|---|----------------|---|
| The 1st meeting in 2017 of the 8th session | 27 March 2017 | <ol style="list-style-type: none"> 1. Resolutions of the first meeting in 2017; 2. Resolution on the financing scheme for 2017; 3. Resolution regarding banking facility and project guarantee for the subsidiaries of the Company in 2017; 4. Resolution regarding the credit guarantee on mortgage loans provided by Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. and its controlled subsidiaries for purchasers of commodity houses; 5. Resolution regarding the credit guarantee provided by CIMC Vehicle (Group) Co., Ltd. and its controlled subsidiaries to their distributors and customers; 6. Resolution regarding the application of external guarantee provided by CIMC Finance Company Ltd. to members of the Group; 7. Resolution regarding the credit guarantee provided by C&C Trucks Co., Ltd. and its controlled subsidiaries to their distributors and customers; 8. Resolution regarding the execution of ordinary related-party transactions/continuing connected transactions in 2016; 9. Resolution regarding the authorisation of investment management to the CEO and president; 10. Resolution regarding the management of exchange rate risks in 2017. |
| The 2nd meeting in 2017 of the 8th session | 21 April 2017 | Resolutions of the second meeting in 2017 of the eighth session of the Board |
| The 3rd meeting in 2017 of the 8th session | 27 April 2017 | Resolution on the first quarterly report of 2017 |
| The 4th meeting in 2017 of the 8th session | 8 June 2017 | Resolution on electing a Director to chair the 2016 annual general meeting and the first 2017 A shareholders'/H shareholders' class meeting |
| The 5th meeting in 2017 of the 8th session | 29 June 2017 | Resolution on the CIMC Environmental, Social and Governance Report 2016 |
| The 6th meeting in 2017 of the 8th session | 14 July 2017 | Resolution on adjusting the fixed remuneration of Mr. Mai Boliang, the Company's CEO and president for 2017 |
| The 7th meeting in 2017 of the 8th session | 14 July 2017 | Resolution regarding the introduction of strategic investors to Shenzhen CIMC Skyspace Real Estate Development Co., Ltd |
| The 8th meeting in 2017 of the 8th session | 20 July 2017 | Resolution in relation to the adjustments to the exercise price for the A Share Options Incentive Scheme |
| The 9th meeting in 2017 of the 8th session | 3 August 2017 | Resolution on leasehold evacuation and relocation compensation with China Merchants Shekou in relation to the Prince Bay Land |
| The 10th meeting in 2017 of the 8th session | 11 August 2017 | Resolution on the tenth meeting in 2017 |
| The 11th meeting in 2017 of the 8th session | 28 August 2017 | <ol style="list-style-type: none"> 1. Resolution on the eleventh meeting in 2017 2. Resolution on the approval of the fixed asset disposal |

| Session of meeting of the Board | Date | Resolutions of the Board considered |
|---|-------------------|---|
| The 12th meeting in 2017 of the 8th session | 13 September 2017 | 1. Resolution on the acquisition of the equity interest in Shenzhen CIMC Electricity Commerce and Logistics Technology Co., Ltd.
2. Resolution on the transfer of the equity interest in Shenzhen CIMC Electricity Commerce and Logistics Technology Co., Ltd.
3. Resolution on the approval of entering into the strategic cooperation framework agreement with S.F. Express Co., Ltd. |
| The 13th meeting in 2017 of the 8th session | 22 September 2017 | Resolution on electing a Director to chair the first extraordinary general meeting in 2017 |
| The 14th meeting in 2017 of the 8th session | 26 September 2017 | Resolution on determining members of the Remuneration and Appraisal Committee and the Risk Management Committee |
| The 15th meeting in 2017 of the 8th session | 9 October 2017 | Resolution on entering into the Qianhai Land Preparation Framework Agreement |
| The 16th meeting in 2017 of the 8th session | 27 October 2017 | Resolution on the third quarterly report of 2017 |
| The 17th meeting in 2017 of the 8th session | 4 December 2017 | Resolution on injection of 78.15% equity interest in Pteris Global Limited., into China Fire Safety Enterprise Group Limited |
| The 18th meeting in 2017 of the 8th session | 5 December 2017 | Resolution on waiver of other shareholders of pre-emptive rights in the transfer of equity interests in CIMC Vehicle (Group) Co., Ltd. |
| The 19th meeting in 2017 of the 8th session | 11 December 2017 | No resolution |
| The 20th meeting in 2017 of the 8th session | 18 December 2017 | Nil |
| The 21st meeting in 2017 of the 8th session | 22 December 2017 | Resolution on the convening of the first extraordinary general meeting in 2018 |

Corporate Governance Code A.1.1 requires that “The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals”. During the Reporting Period, the Company held 21 Board meetings, of which 3 meetings were held on-site. The executive Directors of the Company manage and monitor the business operation and propose to hold Board

Corporate Governance and Corporate Governance Report

(4) 董事、高级管理人员的职责和权限

Responsibilities and authorities of the Board and the management are clearly defined. For details of responsibilities of the Board, please refer to the Articles of Association and the Rules of Procedures of the Board, and for the brief overview, please refer to “(1) Authorities of the Board” of “2. The Board” in this chapter of this Report. The management is responsible for the daily operation and accountable to the Board by timely providing adequate data to it and its special committees to ensure their informed decision-making.

(5) 董事长和总裁的职责和权限

The chairman and the president of the Company are two different positions with different duties and responsibilities. Mr. Wang Hong is the chairman of the Company and Mr. Mai Boliang is the CEO and president of the Company.

Pursuant to the Articles of Association, the primary duties and responsibilities of the chairman of the Company include: (1) chairing the general meetings and convening and chairing meetings of the Board; (2) urging and inspecting the implementation of Board resolutions; (3) signing share certificates, debentures and other quoted

(6) 董事、监事及高级管理人员的服务合同

Pursuant to the Articles of Association, the Directors of the Company shall be elected at the general meeting and serve a term of office three years. Upon the expiry of their term of office, the Directors may be re-elected for another session, provided that independent non-executive Directors shall not be re-elected for more than two sessions. Directors' service contracts shall be signed between the Company and relevant Directors upon the election of Directors considered and approved at the general meeting. During this year, the changes of Directors and Supervisors of the Company are listed in "IV. Changes of Directors, Supervisors and Senior Management of the Company" of "Chapter X Information on Directors, Supervisors, Senior Management and Employees" in this Report.

Chairman Wang Hong and executive Director Mai Boliang signed service contracts with the Company on 5 December 2012. Principal terms of such service contracts include: (1) the service contracts shall be valid from the listing date (19 December 2012) to the 2012 annual general meeting convened in June 2013. Upon the expiry, both contracts can be renewed for another three years; and (2) the service contracts may be terminated in accordance with respective terms stipulated therein. Wang Yuhang, Wang Zhixian (resigned on 7 August 2017) and Liu Chong, all being non-executive Directors, signed service contracts with the Company on 31 May 2016. Principal terms of such service contracts include: (1) the service contracts shall be valid from the 2015 annual general meeting (31 May 2016) to the 2018 annual general meeting. Upon expiry, the contracts can be renewed for another three years; and (2) the service contracts may be terminated in accordance with respective terms stipulated therein. Hu Xianfu, a non-executive Director, signed a service contract with the Company on 26 September 2017. Principal terms of such service contract include: (1) the service contract shall be valid from the 2017 first extraordinary general meeting (26 September 2017) to the 2018 annual general meeting. Upon expiry, the contract can be renewed for another three years; and (2) the service contract may be terminated in accordance with respective terms stipulated therein. The service contracts can be updated according to the Articles of Association and applicable laws, rules and regulations.

Mr. Pan Chengwei and Mr. Wong Kwai Huen, Albert, both being independent non-executive Directors, signed service contracts with the Company on 28 June 2013, with major terms including: (1) the service contracts shall be valid from the 2012 annual general meeting (28 June 2013) to the 2015 annual general meeting of the Company. Upon expiry, the contracts can be renewed for another three years; and (2) the service contracts may be terminated in accordance with respective terms stipulated therein. Pan Zhengqi, an independent non-executive Director, signed a service contract with the Company on 31 May 2016, with details including: (1) the service contract shall be valid from the 2015 annual general meeting (31 May 2016) to the 2018 annual general meeting of the Company. Upon expiry, the contract can be renewed for another three years; and (2) the service contract may be terminated in accordance with the respective terms stipulated therein.

Corporate Governance and Corporate Governance Report

The Company entered into service contracts with Zhang Mingwen (the chairman of the Supervisory Committee), Lv Shengzhou (Supervisor, resigned on 25 September 2017), Wang Hongyuan (Supervisor) and Xiong Bo (Supervisor) on 31 May 2016, 20 December 2016, 26 September 2017 and 4 December 2013, respectively.

For details of the term of current Directors and Supervisors, please refer to "I. Brief Biography of the Directors, Supervisors and Senior Management" of "Chapter X Information on Directors, Supervisors, Senior Management and Employees" of this Report.

Apart from disclosed above, no Director or Supervisor has a service contract or attempt to enter into a service contract (which is not terminable by the Company within one year without payment of compensation, save for statutory compensation) with any member of the Group.

(7) 董事及高級管理人員的薪酬

Among the eight Directors of the Company, Mr. Mai Boliang was paid by the Company due to his position as both CEO and president. The Company did not pay any remuneration to any of the non-executive Directors during the Reporting Period. As considered and approved by the Board and the general meeting, each of the independent non-executive Directors was entitled to an allowance of RMB200,000 per annum. Other than that, the Company did not provide other remuneration to the independent non-executive Directors during the Reporting Period. Details of remuneration paid to the Directors by the Company during this year are listed in "VI. Remuneration of Directors, Supervisors and Senior Management" of "Chapter X Information on Directors, Supervisors, Senior Management and Employees" in this Report. In the review and determination of specific remuneration packages for the Directors, the Company's Remuneration and Appraisal Committee may consider factors such as salaries paid by comparable companies, time of commitment and responsibilities of the Directors. For details of the specific appraisal procedures and remuneration determination scheme for the Directors, please refer to "(1) Remuneration and Appraisal Committee" of "3. Special Committees of the Board" under "Part II: Corporate Governance Report (Prepared in Accordance with the Requirements of the Hong Kong Listing Rules)" in this chapter of this Report.

During the Reporting Period, the Company didn't make any payments nor provide any benefit in respect of the termination of the service of Directors (whether rendered in the capacity of Directors or in any other capacity during term of office as Directors).

(8)

During the Reporting Period, none of the Directors or Supervisors of the Company had any material personal interests, either directly or indirectly, in any transaction, arrangement or contract of significance where the Company or any of its subsidiaries was a party.

Mr. Wang Hong, a non-executive Director of the Company, serves as the deputy general manager of China Merchants Group. Mr. Hu Xianfu serves as the general manager of China Merchants Industry Holdings. Mr. Wang Hongyuan, a supervisor of the Company, serves as the deputy general manager of China Merchants Industry Holdings and the general manager of the strategic development department. China Merchants Industry Holdings and its controlling shareholder China Merchants Group are the largest Shareholder of the Company. The offshore engineering business of China Merchants Group competes with that of the Group. For details, please refer to "3. Horizontal Competitions" of "Chapter XI Corporate Governance and Corporate Governance Report" in this Report.

Mr. Wang Yuhang, a non-executive Director of the Company, serves as the deputy general manager of China COSCO Shipping Corporation. Mr. Liu Chong serves as the managing director of COSCO SHIPPING Development. Mr. Zhang Mingwen, a supervisor of the Company, serves as the chief accountant of COSCO SHIPPING Development and its controlling shareholders China COSCO Shipping are the second largest Shareholder of the Company. Their container manufacturing, logistics service and financial leasing business compete with those of the Group. For details, please refer to "3. Horizontal Competitions" of "Chapter XI Corporate Governance and Corporate Governance Report" in this Report.

Save as disclosed above, none of the Directors or Supervisors, nor any entity related to such Directors/Supervisors, have or have ever had any interests in a business that competes or may compete directly or indirectly with the business of the Group.

Save as disclosed above, none of the Directors or Supervisors, nor any entity related to such Directors/Supervisors, have or have ever had any interests in a business that competes or may compete directly or indirectly with the business of the Group.

Save as disclosed above, none of the Directors or Supervisors, nor any entity related to such Directors/Supervisors, have or have ever had any interests in a business that competes or may compete directly or indirectly with the business of the Group.

Save as disclosed above, none of the Directors or Supervisors, nor any entity related to such Directors/Supervisors, have or have ever had any interests in a business that competes or may compete directly or indirectly with the business of the Group.

Corporate Governance and Corporate Governance Report

(9) 董事、监事和高级管理人员培训

- a. Upon assumption of duty by the Directors, the Company shall provide relevant instruction materials. Information about the Company's business and operation shall be provided on a regular basis as well. The dynamic information on relevant new laws and regulations and internal publications shall be given from time to time. Relevant continuous professional training shall be organised at the Company's cost to help Directors fully understand their responsibilities prescribed in the Hong Kong Listing Rules and other relevant laws and regulations, and comprehensively understand the operation of the Company in a timely manner. In order to ensure the fulfilment of responsibilities by independent non-executive Directors, the Company will also arrange independent non-executive Directors to conduct field visits and to develop ample communication with the senior management (including the general manager of the financial management department) and the auditors of the Company.
- b. To ensure their continued development and update of knowledge and skills for better performance of their duties, the Directors attended the training provided by lawyers and auditors. According to records kept by the Company, in 2017, the Directors of the Company received the following trainings:

| Name | Position | Laws, regulations and rules and other reading materials |
|------------------------|--|---|
| Wang Hong | Chairman and non-executive Director | Speech on China's Cybersecurity Law by PricewaterhouseCoopers |
| Wang Yuhang | Vice Chairman and non-executive Director | |
| Mai Boliang | Executive Director, CEO and president | |
| Liu Chong | Non-executive Director | |
| Wang Zhixian | Non-executive Director (resigned) | |
| Hu Xianfu | Non-executive Director | |
| Pan Chengwei | Independent non-executive Director | |
| Pan Zhengqi | Independent non-executive Director | |
| Wong Kwai Huen, Albert | Independent non-executive Director | |

- c. The Company shall engage auditors, independent financial advisers, lawyers and other relevant independent professionals for independent professional advice as required when commenting on matters such as external guarantees, capital occupation and connected transactions of the Company by the Directors, in order to assist the Directors in fulfilling their responsibilities.
- d. Concerning possible legal risks that the Directors, Supervisors and senior management of the Company might face during their fulfilment of responsibilities, on 5 June 2017, the Company contracted with Ping An Property & Casualty Insurance Company of China, Ltd. on "Ping An liability insurance for Directors and senior management" with a term of one year and a compensation limit of RMB300 million per year

3. 薪酬及考核委员会

Under the Board, there are Remuneration and Appraisal Committee, Nomination Committee, Audit Committee, Strategy Committee and Risk Management Committee. Their main responsibility is to support the decision-making of the Board. Directors who participate in the special committees focus on the research of certain issues based on the division of work and provide suggestions that would help improve and enhance the management of the Company.

(1) 薪酬及考核委员会的主要职责

薪酬及考核委员会的主要职责如下：

The main duties and responsibilities of the Remuneration and Appraisal Committee of the Company are: (1) to study and formulate evaluation criteria for senior management, to perform evaluation and propose remuneration policies and plans; (2) to make recommendations regarding the evaluation criteria and remuneration policies for Directors; (3) to formulate share option incentive schemes pursuant to provisions of relevant laws, regulations and normative documents; (4) to be responsible for the management of share incentive schemes, including but not limited to reviews on the qualification of grantees, grant condition and condition for exercising the same; and (5) to carry out other matters authorised by the Board.

薪酬及考核委员会由五名董事组成，包括三名独立非执行董事和两名非执行董事。现任成员包括主席，即潘正奇先生，及成员，即潘成伟先生、王桂轩先生、Albert、胡先富先生及刘冲先生。

The Remuneration and Appraisal Committee comprises five Directors, including three independent non-executive Directors and two non-executive Directors. Current members include chairman, namely, Mr. Pan Zhengqi and members, namely, Mr. Pan Chengwei, Mr. Wong Kwai Huen, Albert, Mr. Hu Xianfu and Mr. Liu Chong.

| Members of the Remuneration and Appraisal Committee | Time of attendance in person | Time of attendance by proxy |
|--|------------------------------|-----------------------------|
| Mr. Pan Zhengqi (chairman) | 4 | 0 |
| Mr. Pan Chengwei (member) | 4 | 0 |
| Mr. Wong Kwai Huen, Albert (member) | 4 | 0 |
| Mr. Hu Xianfu (member, succeeded on 26 September 2017) | 0 | 0 |
| Mr. Wang Zhixian (resigned on 7 August 2017) | 4 | 0 |
| Mr. Liu Chong (member) | 4 | 0 |

Corporate Governance and Corporate Governance Report

The Remuneration and Appraisal Committee held 4 meetings during the Reporting Period, and the proposals deliberated are as follows:

| Session of meeting | Date | Resolutions considered |
|--|---------------|--|
| The 1st meeting in 2017 of the 8th session | 27 March 2017 | Review opinion on the first meeting in 2017 |
| The 2nd meeting in 2017 of the 8th session | 8 May 2017 | Review opinion on the 2016 appraisal of appointed personnel (excluding CEO and President Mai Boliang) by the Board of Directors |
| The 3rd meeting in 2017 of the 8th session | 12 May 2017 | Review opinion on the 2016 appraisal of CEO and President Mai Boliang |
| The 4th meeting in 2017 of the 8th session | 10 July 2017 | Opinion on the 2016 performance bonus distribution plan and the 2017 fixed remuneration adjustment plan for personnel appointed by the Board |

The appraisal procedures of the Remuneration and Appraisal Committee for the directors and senior management include: (1) the Remuneration and Appraisal Committee determines the list of staff to be appraised and submits to the Board for consideration and approval; (2) the staff to be appraised submit a work report and provide self-evaluation to the Remuneration and Appraisal Committee of the Board; (3) the Remuneration and Appraisal Committee evaluates the performance of the staff based on the evaluation criteria and procedures; and (4) the Remuneration and Appraisal Committee proposes the remuneration scheme or recommendation for each staff member based on their results of performance evaluation and the remuneration distribution policy, and reports it to the Board after passing the vote.

According to the Implementation Rules of the Remuneration and Appraisal Committee, the remuneration plan of the Company's Directors proposed by the Remuneration and Appraisal Committee shall be submitted to the Board for discussion and consent, and then submitted to the general meeting for consideration and approval before implementation; the remuneration distribution plan for senior management shall be submitted to the Board for examination and approval before implementation. Model (ii) of Rule B.1.2(c) in Appendix 14 of the Hong Kong Listing Rules is adopted for the procedures that determine the remuneration.

(2)

The main duties and responsibilities of the Nomination Committee are: (1) to review the structure, size and composition of the Board annually on a regular basis (including the aspects of skills, knowledge and experience) and make recommendations on any proposed changes to the Board to keep in line with the Company's strategy; (2) to identify individuals qualified to become Board members and select and make recommendations to the Board on the selection of individuals nominated for directorships; (3) to assess the independence of independent non-executive Directors; (4) to make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors, and succession plan for Directors (especially the chairman of the Board and president); (5) to evaluate the Directors' work and make suggestions or recommendations on the replacement of Directors based on the evaluation results (if applicable); (6) to fully consider the Company's policy on diversity of Board members when fulfilling responsibilities, i.e. the selection of candidates for the Board will be based on a diverse range of criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge; on top of the above conditions, qualities such as the candidate's comprehensive value to the Company's business and development, his/her potential contribution to the Board and requirements on diversity of the Board members will be taken into account when the final decision is made; (7) to review, where appropriate, the Company's policy on diversity of Board members as well as the measurable goals and progress of policy implementation to ensure its efficiency; and (8) to perform other duties authorised by the Board.

The Nomination Committee comprises three Directors, including two independent non-executive Directors and one non-executive Director. Current members include chairman, namely, Mr. Wong Kwai Huen, Albert and members, namely, Mr. Wang Hong and Mr. Pan Chengwei.

| Member of the Nomination Committee | Time of attendance in person | Time of attendance by proxy |
|---------------------------------------|------------------------------|-----------------------------|
| Mr. Wong Kwai Huen, Albert (chairman) | 2 | 0 |
| Mr. Wang Hong (member) | 2 | 0 |
| Mr. Pan Chengwei (member) | 2 | 0 |

The Nomination Committee held 2 meetings during the Reporting Period, and the proposals deliberated are as follows:

| Session of meeting | Date | Resolutions considered |
|--|----------------|--|
| The 1st meeting in 2017 of the 8th session | 27 March 2017 | Opinion on matters concerning the 1st meeting in 2017 |
| The 2nd meeting in 2017 of the 8th session | 11 August 2017 | Opinion on the nomination of Mr. Hu Xianfu as a candidate for directorship of the 8th session of the Board |

Corporate Governance and Corporate Governance Report

The Implementation Rules for the Nomination Committee of the Company clarified the policy of diversity of the Board members, i.e. the selection of candidates for the Board will be based on a diverse range of criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. On top of the above conditions, qualities such as the candidate's comprehensive value to the Company's business and development, his/her potential contribution to the Board and requirements on diversity of the Board members will be taken into account when the final decision is made. The Board considers that the Company's existing practices are in line with the requirements of the Hong Kong Listing Rules on diversity of the Board members.

According to the Implementation Rules of the Nomination Committee, the procedures of nomination and selection of Directors should include: (1) the Nomination Committee shall proactively exchange views with relevant departments of the Company to study the need of the Company for new Directors, and formulate written materials; (2) the Nomination Committee may conduct extensive search for candidates for directorship among employees of the Company, its Shareholders and in the open recruitment market; (3) information including the profession, education, professional titles, detailed work experience and all part-time jobs etc. of the preliminary candidates shall be collected, and written materials shall be formulated; (4) the nominee's consent to nomination shall be sought, failing which such nominee shall not be named as a candidate for directorship; (5) a meeting of the Nomination Committee shall be convened, at which qualification-vetting of the preliminary candidates shall be carried out based on the terms of appointment for Directors; (6) the Nomination Committee shall submit its recommendations for candidates for directorship together with relevant materials to the Board one to two months prior to the election of new Directors; and (7) other subsequent tasks to be undertaken pending on the decision and feedback of the Board.

Pursuant to the Articles of Association, election and replacement of Directors shall be proposed to a general meeting for approval. The Nomination Committee of the Board (the Board), the Supervisory Committee and the Shareholders whose shareholding represents 1% or more of the voting shares of the Company are entitled to raise proposals. The Office of the Secretary to the Board is responsible for preparing relevant procedural documents, including but not limited to recommendation letters, resumes of candidates, tables of basic information and letters of resignation, which shall be submitted to the Board for consideration, and then to the general meeting for approval upon the consent of the Director candidates and qualification review of the Board's Nomination Committee. At the same time, resigning Directors are requested to sign resignation letters. Pursuant to the Articles of Association, the Company is required to give notice of the general meeting to the Shareholders in writing 45 days in advance and send a circular to the Shareholders. Pursuant to the Hong Kong Listing Rules, information concerning the name list, resumes and emoluments of the candidates for directorship must be set out in the circular to Shareholders to facilitate voting by Shareholders. The new Directors must be approved by more than half of the total voting shares held by the Shareholders present in person or by proxy at the general meeting.

(3) 審計委員會

7. 審計委員會的主要職責和權限

The main duties and responsibilities of the Audit Committee include: to handle the relationship with the external auditing body of the Company, to review the financial information of the Company and to monitor the Company's financial reporting system and internal control procedures. For details, please refer to "The Implementation Rules of the Audit Committee under the Board of China International Marine Containers (Group) Co., Ltd." published on the website of the Shenzhen Stock Exchange, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website on 9 April 2016.

8. 審計委員會的組成

The Audit Committee comprises three independent non-executive Directors. Current members include, chairman, Mr. Pan Chengwei and members, Mr. Pan Zhengqi and Mr. Wong Kwai Huen, Albert.

| Member of the Audit Committee | Time of attendance in person | Time of attendance by proxy |
|-------------------------------------|------------------------------|-----------------------------|
| Mr. Pan Chengwei (chairman) | 8 | 0 |
| Mr. Pan Zhengqi (member) | 8 | 0 |
| Mr. Wong Kwai Huen, Albert (member) | 8 | 0 |

9. 審計委員會在報告期內的工作

During the Reporting Period, the Audit Committee held 8 meetings, 6 of which were held by way of written resolution.

| Session of meeting | Date | Resolutions considered |
|--|------------------|--|
| The 1st meeting in 2017 of the 8th session | 10 March 2017 | Nil |
| The 2nd meeting in 2017 of the 8th session | 26 March 2017 | Opinion on matters concerning the 2nd meeting in 2017 of the Audit Committee of the Board |
| The 3rd meeting in 2017 of the 8th session | 26 April 2017 | Opinion on auditing the first quarterly financial report of 2017 |
| The 4th meeting in 2017 of the 8th session | 3 August 2017 | Opinion on auditing the return of leasehold land and relocation compensation for the Prince Bay Project Land with China Merchants Shekou |
| The 5th meeting in 2017 of the 8th session | 27 August 2017 | Opinion on matters concerning the 5th meeting in 2017 |
| The 6th meeting in 2017 of the 8th session | 27 October 2017 | Opinion on auditing the third quarterly financial report of 2017 |
| The 7th meeting in 2017 of the 8th session | 16 November 2017 | Opinion on auditing the injection of 78.15% equity interest in Pteris Global Limited held into CFE |
| The 8th meeting in 2017 of the 8th session | 18 December 2017 | Nil |

Corporate Governance and Corporate Governance Report

(4)

The main duties and responsibilities of the Strategy Committee of the Company are: to study and make recommendations on the Company's long-term strategic development plan, on the major investment programme that is subject to the approval of the Board, and on the major capital operations and asset management projects that shall be subject to the approval of the Board; and to perform other duties authorised by the Board.

Members of Strategy Committee comprise two non-executive Directors and one executive Director. Current members are: chairman of the committee, Mr. Wang Hong, and members, Mr. Wang Yuhang and Mr. Mai Boliang.

During the Reporting Period, the Strategy Committee of the Company held meetings through interviews, telephone, email, electronic communications and other methods to discuss important matter of the Company, kept close and effective communication and ensured the performance of its duties and responsibilities. Meanwhile, the investment and M&A leading group of CIMC under the Strategy Committee also held 5 meetings on investment projects to fully evaluate the Company's major investments, which provided a strong basis for the decision of the Board.

(5)

The Board has responsibilities of corporate governance, which are to urge the management to establish compliant organisational structure and systems, and to abide by the Corporate Governance Code and other laws and regulations in its daily management. According to the Corporate Governance Code, during the Reporting Period, the Board audited the compliance of the Company's corporate governance policies and guidelines, and was responsible for and performed the following corporate governance functions during the Reporting Period:

- a. To formulate and review the Company's corporate governance policies and practices;
- b. To review and monitor the training and continuous professional development of the Directors and senior management;
- c. To review and monitor the policies and practices in terms of the Company's compliance with laws and regulations;
- d. To formulate, review and monitor the code of conduct for employees and Directors; and
- e. To review the Company's compliance with the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and the disclosure in the Corporate Governance Report.

(6) 2017年12月31日

Corporate Governance and Corporate Governance Report

During the Reporting Period, the Risk Management Committee held 3 meetings. 2 of the meetings of the Risk Management Committee were held by way of written resolution.

| Session of meeting | Date | Resolutions considered |
|--|-------------------|---|
| The 1st meeting in 2017 of the 8th session | 26 March 2017 | Opinion on matters concerning the 1st meeting in 2017 |
| The 2nd meeting in 2017 of the 8th session | 27 August 2017 | Nil |
| The 3rd meeting in 2017 of the 8th session | 26 September 2017 | Resolution on the election of chairman |

4. Shareholders' Rights

(1) General Meetings

To ensure that all Shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes the general meetings every year pursuant to the Articles of Association.

The Company has always kept good communication with the Shareholders by reporting the performance and operations of the Group to the Shareholders through the disclosures of annual reports, interim reports and quarterly reports, as well as several other formal communication channels. At the same time, the hotline and e-mail services are available for the Shareholders to express their views or to exercise their rights. The materials on the website are regularly updated to keep the Shareholders and the public posted on the recent developments of the Company in a timely manner.

The dates, content, delivery methods, announcement methods and the Shareholders' voting procedures of the Company's circulars and notices of general meetings strictly comply with the relevant provisions of the PRC Company Law, the Articles of Association and the Hong Kong Listing Rules to ensure the exercise of the Shareholders' rights to attend the general meetings. Pursuant to the Articles of Association, the Shareholder(s) is (are) entitled to supervise the operation of the Company, raise recommendations or enquiries to the Company.

During the Reporting Period, the Company held a total of 5 general meetings, including: 3 general meetings, 1 A Shareholders' class meeting and 1 H Shareholders' class meeting.

Corporate Governance and Corporate Governance Report

Code provision E.1.2 of the Corporate Governance Code requires that “The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend”. The three independent non-executive Directors of the Company all attended the general meetings convened during the Reporting Period. The non-executive Directors Wang Hong, (the Chairman of the Board), Wang Yuhang (Vice-chairman of the Board) and Wang Zhixian (the Chairman of the Risk Management Committee of the Board, resigned on 7 August 2017) failed to attend the aforesaid general

Corporate Governance and Corporate Governance Report

The Company values feedbacks from its Shareholders, investors and the public. Shareholders may submit their inquiries and questions to the Board in writing via the Company Secretary. For the contact information of the Company Secretary, please refer to the "Chapter I Corporate Profile" in this Report. Shareholders may also submit enquiries and proposals to the Company through the following:

| | |
|--------------|---|
| By phone: | (86 755) 2680 2706 |
| By fax: | (86 755) 2682 6579 |
| By post: | CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC |
| Postal code: | 518067 |
| By email: | shareholder@cimc.com |

5. THE WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is accountable to the general meeting. All of the Supervisors have discharged their duties seriously in accordance with the provisions of the Articles of Association, attended all Board meetings and persistently reported their work to the general meeting. In line with the spirit of accountability to all Shareholders, the Supervisory Committee monitored the financial affairs and internal control of the Company and the performance of duties and responsibilities by the Directors, presidents and other senior management personnel of the Company to ensure that they have performed their duties in compliance with applicable laws and regulations. For details of the work of the Supervisory Committee during the Reporting Period, please refer to "Chapter VII Report of the Supervisory Committee" in this Report.

On 26 September 2017, as approved by the first extraordinary general meeting of the Company for 2017, Mr. Lv Shengzhou resigned due to change in work arrangements, while Mr. Wang Hongyuan was appointed as the supervisor representing Shareholders for the 8th session of the Supervisory Committee.

6. THE RESPONSIBILITIES OF THE DIRECTORS

Directors confirm that they have the responsibility to prepare the financial statements for each financial year to truly and fairly report the Group's performance and accounts regarding its results and cash flows within relevant period. The Directors audited the financial statements for the year ended 31 December 2017 prepared by the Company with the support from the finance department of the Company, and ensured that the relevant accounting practices and policies are observed and CASBE are complied with in the compilation of the financial statements in order to report the financial position of the Company in a true and fair manner. After due enquiry, the Board considers that the Group has adequate resources to continue operations for the foreseeable future, so it is suitable to adopt an on-going concern basis for the preparation of the financial statements. The Directors were not aware or discover any major uncertain events or situations that may have a material impact on the sustainable operation capability of the Company.

For details of the Auditors' reporting responsibilities and the statements of their feedbacks to the financial statements of the Company for the year ended 31 December 2017, please refer to "Chapter XII Auditor's Report" of this Report.

Corporate Governance and Corporate Governance Report

7. T A AT

The Company has not changed its auditors within the past five years. For information relating to the remuneration received by the auditors for their services to the Company during the Reporting Period, please refer to "IX. Engagement and Disengagement of Firms of Accountants" of "Chapter VIII Significant Events" in this Report.

8. A A

The Company Secretary, Mr. Yu Yuqun, shall be responsible for facilitating the Board procedures of the Company and the communications among Directors, between the Directors and the Shareholders, and among the management. The resume of Mr. Yu is set out in "I. Brief Biography of the Directors, Supervisors and Senior Management of the Company" o5(h)0s0.5(odlati)37.5(n (n rs and 4(S0.5(n)tween th4 and Sen)0.5(or)1p)0.5(l)0.4 anJ0)37.5(r MO And the Rep2.667j0(ltr 2017,.2,)37

10. Risk Management and Internal Control

(1) Risk Management and Internal Control

In 2017, the Company established a comprehensive risk management and internal control system in strict compliance with the requirements of China Securities Regulatory Commission, the CSRC Shenzhen Bureau and the Hong Kong Stock Exchange. According to the Criteria Benchmarks for Enterprise Internal Controls and its guidance issued by five ministries and departments of China, the requirements of the Corporate Governance Code and the Corporate Governance Report under the Hong Kong Listing Rules and by referring to guiding documents such as COSO "Corporate Risk Management – Overall Framework" and ISO31000 "Risk Management – Principles and Guidelines", the Company has designed, implemented and monitored the risk management and internal control system. This system consists of five parts, namely risk management strategy, working system of risk management, security system of risk management, information system of risk management and risk management culture. The interdependence and synergy among each part assure the effectiveness of the risk management and internal control system. 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 Board of the Company attaches great importance to the construction of the risk management and internal control system of the Company. The Board optimises the risk management strategy of the Company according to the strategic planning, formulates the work policy for risk management and the risk tolerance for the year, and circulates these strategies and policies to each business department for refinement and implementation. The Audit Committee of the Board is responsible for monitoring the design, implementation and supervision of the risk management and internal control system of the Company and reports to the Board in this regard. In addition, in order to enhance the risk management level of the Company and control operating risks, the Board established the Risk Management Committee. The management is responsible for the design, implementation and supervision of the risk management and internal control system. Under the authorisation of the management, the audit and supervision department of the Company is responsible for monitoring the construction, implementation and supervision of the risk management and internal control system of the Group.

During the Reporting Period, for new companies that have been acquired or established over one year, the Group continued to persist on promoting full coverage of internal control system establishment. At the same time, the Group continued to further facilitate four internal control priorities, i.e. construction to reach internal control standards, compilation of internal control manuals for different levels, cultivation of internal control talents and construction of digitalisation project for internal control work. Since 2016, the Company upgraded the internal control system into the risk management system in accordance with the requirements of the Listing Rules of the Stock Exchange. In 2017, the Group formulated and updated 27 amendments and additions related to the risk control system, completed 63 training sessions on risk control, implemented the accountability mechanism for significant events and imposed stricter penalties on companies and officers that have been involved in certain issues. Under active deployment and organisational enforcement by all levels of organisation of the Group, as at the date of issuance of the 2017 Annual Assessment Report on Internal Control of the Company, the coverage of corporate internal control system within the Group is over 95% and the Group's major risks are under control.

Corporate Governance and Corporate Governance Report**(2) 重大风险识别及评估**

The Company places importance on identification and assessment of major risks, screens for major risks timely and promotes the response to major or prominent risks. Therefore, the Company established a risk identification procedure based on both historical experience and scientific forecast. The procedure requires that the head office and members of the Company shall collect various risk loss events occurred across the members annually on a periodic and irregular basis and identify other risks that the Company may confront by conducting research and forecast on the markets and economic conditions in order to adjust and update the risk database and risk sorting structure of the Company and sort out the risk databases of the members of the Company, thus formulating an overall risk database of the Group. The Group established mechanism for periodic and irregular sharing of resources from the risk database as well as communication and training in relation to risk identification measures and experiences aiming at continuously refining the risk identification procedure of the Company.

The Company promotes assessment on major risks of the Company annually on a periodic basis. To carry out the risk assessment procedure, risk management institutions draw up a risk assessment questionnaire according to the risk database and risk evaluation criteria of the Company and distribute it to the management of the Company and the members of the Company for appraisal and rating in order to determine the nature of the risks and formulate an initial risk sequence. The key management of the Company including the CEO carries out interviews and communication so as to determine the risk sequence. The risk management team conducts research and interview on the top five risks in the confirmed risk sequence in order to determine the reason, influence and solutions of the risks and prepare an annual risk assessment report. The report will be submitted to the Board for approval.

The Company established a comprehensive response procedure for major risks. For identified major risks, the responsible business department shall formulate a response plan promptly and implement the plan as approved by the Board and the management. The risk management team shall be responsible for monitoring the execution of the response plan and report the execution to the management periodically. In addition, the Company established a risk monitoring and warning system. For identified major risks, the responsible risk department shall put in place relevant monitoring indicators and track down the monitoring indicators for major risks periodically. The abnormal indicators and risks monitored shall be reported to the management promptly and the management shall guide the active response by the responsible risk department.

In 2017, in accordance with the management requirement from the Board regarding "taking risk control as top priority", all enterprises under the Group must actively identify major risk factors and establish relevant control measures. The internal control system has a coverage rate of over 95% on the enterprises under the Group.

(3)

The Company has carried out reviews on the effectiveness of risk management and internal control system. The review procedure includes annual risk assessment, supervision on the construction of risk management and internal control system, the up-to-standard evaluation on risk management and internal control system, audit on economic responsibility during the term of office, separate audit on projects, separate audit on procurement, supervision on the management, handling of complaints and reports, annual self-assessment on internal control.

During the Reporting Period, the Company completed over 180 reviews. The targets of the reviews were the domestic and overseas members of the Group. Through the reviews on the system, the Company has continuously improved the risk management and internal control system. During the Reporting Period, in respect of CIMC Enric, a subsidiary of the Group, terminating the acquisition of the equity interest in SOE in 2016, which resulted in a major risk incident of significant impairment provision for assets, the Company carried out post-investment evaluations, in-depth inquiry into the causes and implemented accountability to further improve the prevention and handling mechanism of major risk incidents.

(4)

The Board acknowledges that it is responsible for the effectiveness of the risk management and internal control system. During the Reporting Period, the Company has completed at least three reviews on the effectiveness of the system and the Board considers that the risk management and internal control system of the Company is effective and that the Company has duly complied with the criteria benchmarks for enterprise internal controls and the requirements of other relevant provisions to maintain effective financial statement internal controls in all material aspects. Meanwhile, the Board acknowledges that the risk management and internal control system of the Company is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(5)

In respect of inside information disclosure procedures and internal control, the Company has promulgated the Information Disclosure Management System (《信息披露管理制度》) and the Insider Registration and Management System (《關於內幕信息知情人登記管理制度》), set up a supervision regime, specified the scope of inside information and developed the insider registration and archival-filing system. Please refer to "1. Situation of Corporate Governance" of "Part I: Corporate Governance Work Report (Prepared in Accordance with the PRC Securities Regulatory Requirements)" in this chapter hereof for details.

11.

Information on Corporate Governance can be accessed on the Company's website at www.cimc.com. You may access such information by following these steps:

1. Go to the Company's homepage, find and click "Investor relationship";
2. Click "Corporate Governance"; and
3. Finally, click on the information you are looking for.

Chapter XII

A



KEY AUDIT MATTERS (Continued)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|---|
| <p>1. Impairment of long-term receivables</p> <p>Refer to Note II.10 – Accounting policy of receivables, Note II.34 (1) – Critical accounting estimates and judgements on impairment of receivables, Note IV.9 – Current proportion of non-current assets and Note IV.12 – Long-term receivables to the financial statements.</p> <p>As at 31 December 2017, the net value of financial lease receivables in net long-term receivables (including those due within one year) on the Group’s consolidated balance sheet was amounted to RMB16,807,361,000. In 2017, the Group made an impairment provision towards long-term receivables (including those due within one year) of RMB123,659,000 in the consolidated income statement.</p> <p>The management performed the credit review of financial lease receivables in long-term receivables to identify impairments, taking into account the lessees’ payment records, the solvency of the lessees and the guarantors, the recoverable value of the leased assets and the industry prosperity of the lessees’ business. Specific provision is made for financial leasing receivables in long-term receivables with objective evidence of impairment, while financial lease receivables in long-term receivables for which no specific provision should be classified according to similar credit risk, and are collectively assessed for impairment using the model analysis method.</p> <p>The specific provision is measured as the difference between the long-term receivables’ carrying amount and the present value of the estimated future cash flow. The key assumptions involved include: the future payment ability of the lessees and the payment time, disposal value of the leased assets and the disposal time.</p> <p>Under model analysis method, the estimated value of the impairment provision determined by historical loss rate, and loss emergence period.</p> <p>We focused on this area due to the fact that significant judgments were involved during impairment identification and assessment process of financial leasing receivables in long-term receivables.</p> | <p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> • |

KEY AUDIT MATTERS (Continued)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|---|
| <p>2. Impairment of goodwill allocated to the offshore engineering asset group, the heavy truck asset group and Energy, Chemicals and Liquid Food Equipment asset group</p> <p>Refer to Note II.20 – Accounting policy of impairment of long-term assets, Note II.34 (2) – Critical accounting estimates and judgements on impairment of long-term assets and Note IV.19 – Goodwill to the financial statements.</p> <p>As at 31 December 2017, the net value of goodwill of the Group on the consolidated balance sheet was amounted to RMB2,112,445,000, among which RMB229,460,000 was allocated to offshore engineering asset group while RMB38,815,000 was allocated to heavy truck asset group, and RMB1,036,235,000 was allocated to energy, chemicals and Liquid food equipment asset group. In 2017, the Group made a provision of nil, nil and RMB38,000,000 towards the goodwill allocated to the offshore engineering asset group, heavy truck asset group and energy, chemicals and Liquid food equipment asset group respectively, in the consolidated income statement.</p> <p>In 2017, the operation performance of the asset groups in these industries were below expectation and there was a risk of impairment. The management made the corresponding impairment provision based on the difference between recoverable amount and carrying amount of relevant asset groups or combination of asset groups those include the allocated goodwill. The key assumptions applied include future revenue growth rates, gross margins, expense rates and discount rates.</p> <p>We focused on this area due to the fact that significant judgements were involved in key assumption of assessing the goodwill impairment.</p> | <p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> • We understood, evaluated and validated the effectiveness of the internal controls regarding goodwill impairment test, including the adoption of key assumptions and the review and approval of impairment provision. • We obtained management’s worksheets of impairment of goodwill allocated to the offshore engineering asset group, the heavy truck asset group and Energy, Chemicals and Liquid Food Equipment asset group. • We assessed whether the goodwill is allocated to the relevant asset groups or combination of asset groups in a reasonable way. • We tested the mathematical accuracy of the calculations. • We compared management’s forecast in 2016 Goodwill Impairment worksheets against the actual performance in 2017 to check whether there is management bias in the goodwill impairment assessment process. • We analyzed the rationality of management’s assumptions of future revenue growth rates, gross margins and expense rates by considering the historical operations of the relevant asset groups, the industry trends, emerging market opportunities and cost savings due to economies of scale. • We evaluated the discount rates by utilizing the expertise of specialist. • We performed sensitivity test on gross margins and discount rates. <p>Based on our work performed, we found that management’s key assumptions on goodwill impairment test was supported by the evidence we gathered.</p> |

KEY AUDIT MATTERS (Continued)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|--|
| <p>3. Impairment of fixed assets</p> <p>Refer to Note II.20 – Accounting policy of impairment of long-term assets, Note II.34 (2) – Critical accounting estimates and judgements on impairment of long-term assets and Note IV.15 – Fixed assets to the financial statements.</p> <p>As at 31 December 2017, the net value of fixed assets of the Group in the consolidated financial statements was RMB22,941,021,000. In 2017, the Group made a provision for impairment of fix assets of RMB20,252,000 in the consolidated income statement.</p> <p>At the balance sheet date, the Group assessed whether there was any indication that the fixed assets were impaired and further impairment test would be performed for those with impairment indicators. If the result of the impairment test indicates the recoverable amount of a fixed asset or asset group is less than its book value, the difference shall be accounted for as impairment loss and included in the impairment loss. The recoverable amount is the higher of an asset or asset group's fair value less cost to sell and the present value of the future cash flows expected to be derived from the asset or asset group.</p> <p>In 2017, the impairment indicators existed for those fixed assets from the subsidiaries of the Group that suffered from losses, few profits or even production halts. The management assessed the impairment based on asset usage plans by using the fair value less cost to sell method and the present value of the future cash flows method, respectively. The key assumptions in estimating the recoverable amount include the determination of asset group, the prediction of disposed value and expense of disposal; the key assumptions in the present value of the future cash flows method include future revenue growth rates, gross margins, expense rates and discount rates.</p> <p>We focused on this area due to the fact that significant judgements were involved in key assumptions of assessing the impairment of fixed assets.</p> | <p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> • We understood, evaluated and validated the effectiveness of internal controls regarding fixed assets impairment test, including the adoption of key assumptions and the review and approval of impairment provision. • We performed independent assessment, on a sample basis, to determine whether the group of assets is the smallest group of assets that is able to generate independent cash inflows. • We obtain the fixed assets impairment test worksheets for those with impairment indicators. For those adopted the present value of the future cash flows method, we tested the accuracy of the calculation, on a sample basis, further performed the following procedures: <ul style="list-style-type: none"> – Compared management's forecast in 2016 fixed assets impairment test worksheet against the actual performance in 2017 to check whether there is management bias in the fixed assets impairment assessment process. – Analysed the rationality of management's assumptions of future revenue growth rates, gross margins and expense rates by considering the historical operations of the relevant asset groups, the industry trends, emerging market opportunities and cost savings due to economies of scale. – Evaluated the appropriateness of discount rates by utilizing the expertise of specialist. – Performed sensitivity test on gross margins and discount rates. • For the fair value less cost to sell method, we assessed the rationality by comparing the estimated disposal value of the fixed assets and realisation rate against the market price of similar assets. <p>Management's key assumptions adopted in the fixed assets impairment test are in the acceptable range.</p> |

KEY AUDIT MATTERS (Continued)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|--|
| <p>4. Impairment of vessels under construction</p> <p>Refer to Note II.20 – Accounting policy of impairment of long-term assets, Note II.34(2) – Critical accounting estimates and judgements on impairment of long-term assets and Note IV.16 – Construction in progress to the financial statements.</p> <p>As at 31 December 2017, the net value of vessels under construction of the Group on the consolidated balance sheet was amounted to RMB18,723,948,000. The Group did not make any provision for vessels under construction in 2017.</p> <p>At the balance sheet date, the Group assessed whether there was any indication that the construction in progress was impaired and further impairment test would be performed for those with impairment indicators. If the result of the impairment test indicates the recoverable amount of a construction in progress or asset group is less than its carrying amount, a provision for impairment would be provided at the excess amount of a construction in progress or asset group's carrying amount over its recoverable amount. The recoverable amount is the higher of an asset or asset group's fair value less cost to sell and the present value of the future cash flows expected to be derived from the asset or asset group.</p> <p>As at 31 December 2017, due to the depression of oil development industry which the vessels serve for, five vessels under construction had no lease agreements. The management has used the present value of future cash flow method for impairment test. The key assumptions used by the management for impairment test include future rentals, utilisation rates, future cost and discount rates.</p> <p>We focused on this area due to that significant judgements were involved in key assumptions of assessing the impairment of the vessels under construction.</p> | <p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> • We understood, evaluated and validated the effectiveness of internal controls regarding the vessels under construction impairment test, including the adoption of key assumptions and the review and approval of impairment provision. • We obtained the impairment test worksheets for the five vessels under construction provided by the management and performed the following procedures: <ul style="list-style-type: none"> – Tested the mathematical accuracy of the calculations. – Compared management's forecast in 2016 vessels under construction impairment test worksheet against the actual performance in 2017 to check whether there is management bias in the vessels under construction impairment assessment process. – Assessed the rationality by comparing management's assumptions on the rentals, utilisation rates and maintenance cost against market demand, the peak and lowest levels of historical rent levels in the current open market. – Checked the construction contracts to assess the rationality of future capital cost. – Evaluated the discount rates by utilizing the expertise of specialist. – Performed sensitivity test for future rentals, utilisation rates and discount rates. <p>Based on our work performed, we found that management's key assumptions on vessels under construction impairment test was supported by the evidence we gathered.</p> |

KEY AUDIT MATTERS (Continued)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|---|
| <p>5. Purchase price allocation for acquisition of SOE</p> <p>Refer to Note II.5 – Accounting policy of Business Combinations, Note V.1 – Business combinations involving enterprises not under common control</p> <p>On 4 August 2017, an indirect wholly-owned subsidiary of the Group, CIMC Enric Investment Holdings (Shenzhen) Ltd. (“EIHL”) acquired 100% of the issued shares in SOE at a cash consideration of RMB799,800,000. The transaction fell under the scope of Business Combinations according to Accounting Standards for Business Enterprises.</p> <p>Management has engaged an independent external valuer to perform a valuation on the identifiable assets and liabilities of SOE on the acquisition date. Based on the valuation results, the Group recognized a gain on bargain purchase of RMB68,701,000 and included in the consolidated income statement for the year ended 31 December 2017.</p> <p>We focused on this area because significant judgements were involved relating to the valuation of identifiable assets and liabilities.</p> | <p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> • We understood, evaluated and validated the Group’s controls over business combinations. • We obtained and examined the documents (including the Restructuring Plan) entered into between EIHL and SOE in connection with the acquisition. • We evaluated the competency, professionalism and objectivity of the independent valuer. • We compared the assumptions regarding future operating and financial performance of SOE against the historical operating results and latest market conditions. • We engaged our internal valuation specialist to evaluate the reasonableness of the methodology and parameters including discount rate as adopted in the valuation report for the identifiable assets and liabilities. <p>Based on our work performed, we found that management’s assessment on the purchase price allocation was properly supported by the available evidence.</p> |

OTHER INFORMATION

Management of CIMC is responsible for the other information. The other information comprises all of the information included in 2017 annual report of CIMC other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of CIMC is responsible for the preparation and fair presentation of these financial statements in accordance with the CASS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing CIMC'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 management either intend to liquidate CIMC or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 CIMC'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 these 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 CIMC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 CIMC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of CIMC 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.

PwC ZT Shen Zi (2018) No.10078
(Page 9 of 9)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant

Zhou Weiran
(Engagement Partner)

Shanghai, the People's Republic of China
27 March 2018

Certified Public Accountant

Cai Zhifeng

Chapter XIII

Financial Statements Prepared in Accordance with CASBE

As at 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

CONSOLIDATED BALANCE SHEET

| | Note | 31 December
2017 | 31 December
2016 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash at bank and on hand | IV.1 | 5,596,314 | 6,325,998 |
| Financial assets at fair value through profit or loss | IV.2 | 194,880 | 141,160 |
| Notes receivable | IV.3 | 1,376,864 | 1,536,191 |
| Accounts receivable | IV.4 | 16,396,726 | 11,526,075 |
| Advances to suppliers | IV.6 | 2,147,721 | 2,165,982 |
| Interest receivable | | 19,092 | 9,250 |
| Dividends receivable | | 4,408 | 41,959 |
| Other receivables | IV.5 | 8,259,736 | 9,347,887 |
| Inventories | IV.7 | 19,258,327 | 17,409,515 |
| Assets held for sale | IV.8 | 235,309 | 203,847 |
| Current portion of non-current assets | IV.9 | 4,314,250 | 3,941,689 |
| Other current assets | IV.10 | 1,198,296 | 702,478 |
| Total current assets | | 59,001,923 | 53,352,031 |
| Non-current assets: | | | |
| Financial assets at fair value through profit or loss | IV.2 | 318,534 | 325,187 |
| Available-for-sale financial assets | IV.11 | 441,581 | 442,726 |
| Long-term receivables | IV.12 | 12,880,540 | 13,220,242 |
| Long-term equity investments | IV.13 | 2,398,495 | 2,162,217 |
| Investment properties | IV.14 | 1,679,189 | 1,752,608 |
| Fixed assets | IV.15 | 22,941,021 | 22,037,261 |
| Construction in progress | IV.16 | 22,194,585 | 22,769,189 |
| Disposal of fixed assets | IV.17 | 147,661 | 130,050 |
| Intangible assets | IV.18 | 4,711,244 | 4,654,757 |
| Development costs | IV.18 | 67,399 | 49,990 |
| Goodwill | IV.19 | 2,112,445 | 2,127,893 |
| Long-term prepaid expenses | IV.20 | 205,239 | 246,574 |
| Deferred tax assets | IV.21 | 1,416,637 | 1,257,670 |
| Other non-current assets | IV.22 | 87,886 | 86,353 |
| Total non-current assets | | 71,602,456 | 71,262,717 |
| TOTAL ASSETS | | 130,604,379 | 124,614,748 |

As at 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Note | 31 December
2017 | 31 December
2016 |
|---|-------|---------------------|---------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term borrowings | IV.25 | 15,317,347 | 15,729,787 |
| Financial liabilities at fair value through profit or loss | IV.26 | 3,025 | 141,806 |
| Notes payable | IV.27 | 1,785,456 | 1,551,582 |
| Accounts payable | IV.28 | 12,216,311 | 10,160,951 |
| Advances from customers | IV.29 | 4,624,088 | 3,780,694 |
| Employee benefits payable | IV.30 | 2,713,482 | 2,115,108 |
| Taxes payable | IV.31 | 1,363,986 | 1,092,030 |
| Interest payable | IV.32 | 377,793 | 303,375 |
| Dividends payable | IV.33 | 254,434 | 16,746 |
| Other payables | IV.34 | 6,854,541 | 5,154,073 |
| Liabilities held for sale | IV.8 | 14,906 | – |
| Provisions | IV.35 | 1,214,904 | 847,429 |
| Current portion of non-current liabilities | IV.36 | 4,085,579 | 3,667,872 |
| Other current liabilities | IV.37 | 595,907 | 1,687,762 |
| Total current liabilities | | 51,421,759 | 46,249,215 |
| Non-current liabilities: | | | |
| Financial liabilities at fair value through profit or loss | IV.26 | 37,807 | 61,235 |
| Long-term borrowings | IV.38 | 24,140,168 | 27,023,222 |
| Debentures payables | IV.39 | 7,986,500 | 7,986,500 |
| Including: Perpetual bonds | | 1,986,500 | 1,986,500 |
| Long-term payables | IV.40 | 347,269 | 529,372 |
| Payables for specific projects | IV.41 | 14,127 | 9,704 |
| Deferred income | IV.42 | 846,232 | 839,738 |
| Deferred tax liabilities | IV.21 | 801,337 | 657,414 |
| Other non-current liabilities | IV.43 | 1,771,746 | 2,123,556 |
| Total non-current liabilities | | 35,945,186 | 39,230,741 |
| Total liabilities | | 87,366,945 | 85,479,956 |
| Shareholders' equity | | | |
| Share capital | IV.44 | 2,982,889 | 2,978,577 |
| Other equity instruments | IV.45 | 2,033,043 | 2,049,035 |
| Including: Perpetual bonds | | 2,033,043 | 2,049,035 |
| Capital surplus | IV.46 | 4,209,663 | 3,126,585 |
| Other comprehensive income | IV.47 | 219,303 | 357,341 |
| Surplus reserve | IV.48 | 3,281,535 | 3,279,379 |
| Undistributed profits | IV.49 | 19,734,494 | 17,495,053 |
| Total equity attributable to shareholders and other equity holders of the Company | | 32,460,927 | 29,285,970 |
| Minority interests | | 10,776,507 | 9,848,822 |
| Total shareholders' equity | | 43,237,434 | 39,134,792 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 130,604,379 | 124,614,748 |

The accompanying notes form an integral part of these financial statements.

Legal representative's
authorised person: Mai Boliang

The person in charge of
accounting affairs: Zeng Han

The head of the accounting
department: Zeng Han

As at 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

BALANCE SHEET

| | Note | 31 December
2017 | 31 December
2016 |
|-------------------------------------|--------|---------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash at bank and on hand | XVI.1 | 1,366,876 | 2,660,222 |
| Dividends receivable | XVI.2 | 4,918,369 | 4,755,818 |
| Other receivables | XVI.3 | 13,197,142 | 13,131,416 |
| Other current assets | | 5,771 | 9,272 |
| Total current assets | | 19,488,158 | 20,556,728 |
| Non-current assets: | | | |
| Available-for-sale financial assets | XVI.4 | 388,905 | 388,905 |
| Long-term equity investments | XVI.5 | 9,583,886 | 9,375,276 |
| Fixed assets | XVI.6 | 143,131 | 102,372 |
| Construction in progress | | 56,326 | 844 |
| Disposal of fixed assets | | 1,117 | – |
| Intangible assets | | 14,207 | 14,466 |
| Long-term prepaid expenses | | 29,627 | 40,730 |
| Deferred tax assets | XVI.15 | 73,140 | 52,280 |
| Total non-current assets | | 10,290,339 | 9,974,873 |
| TOTAL ASSETS | | 29,778,497 | 30,531,601 |

As at 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

| | Note | 31 December
2017 | 31 December
2016 |
|---|-------|---------------------|---------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term borrowings | XVI.7 | 350,000 | 2,710,000 |
| gs | | | |

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

CONSOLIDATED INCOME STATEMENT

| Item | Note | 2017 | 2016 |
|---|-------|------------|------------|
| I. Revenue | IV.50 | 76,299,930 | 51,111,652 |
| Less: Cost of sales | IV.50 | 62,292,715 | 41,482,017 |
| Taxes and surcharges | IV.51 | 516,723 | 503,099 |
| Selling and distribution expenses | IV.52 | 2,926,718 | 2,156,980 |
| General and administrative expenses | IV.53 | 5,482,054 | 4,208,598 |
| Financial expenses-net | IV.54 | 1,446,321 | 719,109 |
| Asset impairment losses | IV.60 | 671,341 | 2,089,634 |
| Add: Profit arising from changes in fair value | IV.56 | 111,316 | 613,913 |
| Investment Income | IV.57 | 510,351 | 234,410 |
| Including: Share of profit of associates and joint ventures | | 30,675 | 87,266 |
| Gains on disposals of assets | IV.58 | 113,334 | 402,346 |
| Other income | IV.59 | 472,626 | - |
| II. Operating profit | | 4,171,685 | 1,202,884 |
| Add: Non-operating income | IV.61 | 622,421 | 761,241 |
| Less: Non-operating expenses | IV.62 | 384,865 | 262,074 |
| III. Total profit | | 4,409,241 | 1,702,051 |
| Less: Income tax expenses | IV.63 | 1,250,826 | 967,068 |
| IV. Net profit | | 3,158,415 | 734,983 |
| Classified by business continuity | | | |
| Net profit from continuing operations | | 3,158,415 | 734,983 |
| Net profit from discontinued operations | | - | - |
| Classified by ownership | | | |
| Owners of the company | | 2,509,242 | 539,660 |
| Non-controlling interests | | 649,173 | 195,323 |
| V. Other comprehensive income, net of tax | IV.47 | | |

Financial Statements Prepared in Accordance with CASBE

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

INCOME STATEMENT

| Item | Note | 2017 | 2016 |
|--|--------|----------|-----------|
| I. Revenue | XVI.19 | 331,166 | 156,526 |
| Less: Cost of sales | XVI.19 | 1,452 | 24,006 |
| Taxes and surcharges | | 1 | 3,373 |
| General and administrative expenses | | 385,532 | (285,476) |
| Financial expenses-net | XVI.20 | 690,060 | (353,608) |
| Add: Profit arising from changes in fair value | XVI.21 | 2,747 | 10,895 |
| Investment income | XVI.22 | 959,649 | 1,259,065 |
| Gains on disposals of assets | | 30 | 116 |
| Other income | | 33,855 | - |
| II. Operating profit | | 250,402 | 2,038,307 |
| Add: Non-operating income | XVI.23 | 7,408 | 33,057 |
| Less: Non-operating expenses | XVI.24 | 199,564 | 79,573 |
| III. Total profit | | 58,246 | 1,991,791 |
| Less: Income tax (income)/expenses | XVI.25 | (20,860) | 164,168 |
| IV. Net profit | | 79,106 | 1,827,623 |
| Classified by business continuity | | | |
| Net profit from continuing operations | | 79,106 | 1,827,623 |
| Net profit from discontinued operations | | - | - |
| V. Other comprehensive income, net of tax | XVI.17 | - | - |
| VI. Total comprehensive income | | 79,106 | 1,827,623 |

The accompanying notes form an integral part of these financial statements.

Legal representative's
authorised person: Mai Boliang

The person in charge of
accounting affairs: Zeng Han

The head of the accounting
department: Zeng Han

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

CONSOLIDATED CASH FLOW STATEMENT

| Item | Note | 2017 | 2016 |
|--|----------|--------------------|--------------------|
| I. Cash flows from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 76,044,774 | 49,660,627 |
| Refund of taxes and surcharges | | 2,743,233 | 1,996,152 |
| Cash received relating to other operating activities | IV.65(1) | 1,691,926 | 475,604 |
| Sub-total of cash inflows | | 80,479,933 | 52,132,383 |
| Cash paid for goods and services | | 61,590,642 | 37,875,868 |
| Cash paid to and on behalf of employees | | 6,210,535 | 6,052,008 |
| Payments of taxes and surcharges | | 2,585,689 | 1,292,403 |
| Cash paid relating to other operating activities | IV.65(2) | 5,817,688 | 4,570,485 |
| Sub-total of cash outflows | | 76,204,554 | 49,790,764 |
| Net cash inflows from operating activities | IV.66(1) | 4,275,379 | 2,341,619 |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 9,728,843 | 227,461 |
| Cash received from returns on investments | | 58,824 | 224,760 |
| Net cash received from disposal of fixed as sets, intangible assets and other long-term assets | | 986,733 | 904,597 |
| Net cash received from disposal of subsidiaries | IV.66(3) | 475,629 | 206,421 |
| Cash received relating to other investing activities | IV.65(3) | 189,452 | 446,920 |
| Sub-total of cash inflows | | 11,439,481 | 2,010,159 |
| Cash paid to acquire fixed assets intangible assets and other long-term assets | | 1,707,232 | 7,239,592 |
| Cash paid to acquire investments | | 10,748,209 | 886,860 |
| Net cash paid to acquire subsidiaries | IV.66(2) | 564,145 | 738,362 |
| Sub-total of cash outflows | | 13,019,586 | 8,864,814 |
| Net cash outflows from investing activities | | (1,580,105) | (6,854,655) |

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| Item | Note | 2017 | 2016 |
|--|----------|--------------------|-------------------|
| III. Cash flows from financing activities | | | |
| Cash received from capital contributions | | 2,803,150 | 1,768,906 |
| Including: Cash received from capital contributions by minority shareholders of subsidiaries | | 2,771,957 | 1,760,575 |
| Cash received from borrowings | | 59,930,549 | 54,548,656 |
| Cash received from issuing bonds | | – | 7,986,500 |
| Cash received relating to other financing activities | IV.65(4) | 16,474 | 3,755 |
| Sub-total of cash inflows | | 62,750,173 | 64,307,817 |
| Cash repayments of borrowings | | 62,807,109 | 52,820,203 |
| Cash payments for distribution of dividends or profits and interest expenses | | 2,866,790 | 3,228,079 |
| Including: Cash payments for dividends or profit to minority shareholders of subsidiaries | | 396,376 | 161,253 |
| Cash payments relating to other financing activities | IV.65(5) | 613,427 | 748,489 |
| Sub-total of cash outflows | | 66,287,326 | 56,796,771 |
| Net cash (outflows)/inflows from financing activities | | (3,537,153) | 7,511,046 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | (53,931) | 81,534 |
| V. Net (decrease)/increase in cash and cash equivalents | IV.66(1) | (895,810) | 3,079,544 |
| Add: Cash and cash equivalents at the beginning of the year | | 6,338,667 | 3,259,123 |
| VI. Cash and cash equivalents at the end of the year | IV.66(4) | 5,442,857 | 6,338,667 |

The accompanying notes form an integral part of these financial statements.

Legal representative's
authorised person: Mai Boliang

The person in charge of
accounting affairs: Zeng Han

The head of the accounting
department: Zeng Han

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

CASH FLOW STATEMENT

| Item | Note | 2017 | 2016 |
|---|--------|--------------------|--------------------|
| I. Cash flows from operating activities | | | |
| Cash received from sales of goods or rendering of services | | 274,870 | 156,526 |
| Cash received relating to other operating activities | | 2,036,017 | 257,702 |
| Sub-total of cash inflows | | 2,310,887 | 414,228 |
| Cash paid for goods and services | | – | 39,842 |
| Cash paid to and on behalf of employees | | 120,634 | 219,452 |
| Payments of taxes and surcharges | | 2,787 | 16,698 |
| Cash paid relating to other operating activities | | 658,489 | 4,933,042 |
| Sub-total of cash outflows | | 781,910 | 5,209,034 |
| Net cash inflows/(outflows) from operating activities | XVI.26 | 1,528,977 | (4,794,806) |
| II. Cash flows from investing activities | | | |
| Cash received from disposal of investments | | 9,500,000 | – |
| Cash received from returns on investments | | 511,092 | 245,460 |
| Net cash received from disposal of fixed assets | | 74 | 3,037 |
| Net Cash received from disposal of subsidiaries | | 50 | 8,944 |
| Sub-total of cash inflows | | 10,011,216 | 257,441 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | 110,485 | 41,191 |
| Cash paid to acquire investments | | 9,500,000 | – |
| Net cash paid to acquire subsidiaries | | 81,616 | 77,991 |
| Cash paid for other investment activities | | 58,000 | – |
| Sub-total of cash outflows | | 9,750,101 | 119,182 |
| Net cash inflows from investing activities | | 261,115 | 138,259 |
| III. Cash flows from financing activities | | | |
| Cash received from investment | | 31,193 | 8,331 |
| Cash received from borrowings | | 9,970,000 | 8,176,000 |
| Cash received from issuing bonds | | – | 7,986,500 |
| Sub-total of cash inflows | | 10,001,193 | 16,170,831 |
| Cash repayments of borrowings | | 12,334,000 | 9,319,881 |
| Cash payments for distribution of dividends or profits and interest expenses | | 806,492 | 1,126,037 |
| Cash payments relating to other financing activities | | 30,960 | 6,189 |
| Sub-total of cash outflows | | 13,171,452 | 10,452,107 |
| Net cash (outflows)/inflows from financing activities | | (3,170,259) | 5,718,724 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | 427 | 428 |
| V. Net (decrease)/increase in cash and cash equivalents | XVI.26 | (1,379,740) | 1,062,605 |
| Add: Cash and cash equivalents at the beginning of the year | | 1,715,470 | 652,865 |
| VI. Cash and cash equivalents at the end of the year | XVI.26 | 335,730 | 1,715,470 |

The accompanying notes form an integral part of these financial statements.

Legal representative's
authorised person: Mai Boliang

The person in charge of
accounting affairs: Zeng Han

The head of the accounting
department: Zeng Han

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

| Item | 2017 | | | | | | 2016 | | | | | | | |
|------|--|--------------------------|-----------------|----------------------|-----------------|-----------------------|--|--------------------------|-----------------|----------------------|-----------------|-----------------------|-------------------|----------------------------|
| | Attributable to shareholders and other equity holders of the Company | | | | | | Attributable to shareholders and other equity holders of the Company | | | | | | | |
| | Share capital | Other equity instruments | Capital surplus | Comprehensive income | Surplus reserve | Undistributed profits | Share capital | Other equity instruments | Capital surplus | Comprehensive income | Surplus reserve | Undistributed profits | | |
| | | | | | | | | | | | | | Minority interest | Total shareholders' equity |
| | | | | | | | | | | | | | | |

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

China International Marine Containers (Group) Co., Ltd. (the "Company"), formerly "China International Marine Containers Co., Ltd.", was a Sino-foreign joint venture set up by China Merchants Group, the East Asiatic Company (Denmark) and Ocean Containers Inc. (USA). In December 1992, as approved by "Shen Fu Ban Fu [1992] 1736" issued by the General Office of the People's Government of Shenzhen and "Shen Ren Yin Fu Zi (1992) 261" issued by Shenzhen Special Economic Zone Branch of People's Bank of China, the Company was restructured as an incorporated company set up by directional subscription and was renamed as "China International Marine Containers Co., Ltd." by the original corporate shareholders of the Company. On 31 December 1993 and 17 January 1994 respectively, the Company issued ordinary shares denominated in Renminbi for domestic investors (A Shares) and for foreign shares issued domestically (B Shares), and commenced trading on Shenzhen Stock Exchange. Pursuant to "Shen Fu Ban Fu [1993] 925" issued by the General Office of the People's Government of Shenzhen and "Shen Zheng Ban Fu [1994] 22" issued by Shenzhen Securities Administration Office On 1 December 1995, as approved by the State Administration of Industry and Commerce, the Company changed its name to "China International Marine Containers (Group) Co., Ltd.". The Registered Address and Address of Head Office of the company is 8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC.

On 19 December 2012, the Company's domestically listed foreign shares (B shares) changed listing location and went publication on the main market of the Stock Exchange of Hong Kong through the way of introduction. Henceforth, all the company's B shares converted to overseas listed foreign shares (H shares).

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the manufacturing of modern transportation facilities, facilities for energy, food, chemistry and rendering of relative services. Detailed activities are the manufacturing and repairing of containers and other relevant business; utilizing the Group's equipment to process and manufacture various parts, structure components and relevant machines; providing cutting, punching, moulding, riveting surface treatment (including sand/paint spraying, welding and assembly) and other processing services; developing, manufacturing and selling of various high-tech and high performance special vehicles, heavy truck, airport equipment, fire-engine and semi-trailers; leasing of containers; developing, production and sales of high-end fuel gas equipments such as pressure container and compressor; providing integrated services for natural gas distribution; production of static container and pot-type wharf equipments and providing EP+CS (engineering procurement and construction supervision) technical service for the storage and processing of LNG, LPG and other petrochemical gases. Apart from the above, the Group is also engaged in financial equity investment, manufacturing of logistic equipment and related services, marine projects, railway trucks production and property development, etc.

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For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

I. GENERAL INFORMATION (CONTINUED)

Please refer to Note VI for details of subsidiaries included in the scope of consolidation and also refer to Note V.1 for the details of subsidiaries newly included in the scope of consolidation. Please refer to Note V.2 for the details of subsidiaries excluded from the scope of consolidation.

This financial statements have been approved for announcement by the Company's Board of Directors on 27 March 2018.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations, which include provision of bad debt of receivables (Note II.10), the cost of inventories (Note II.11), the criteria for determining impairment of non-current assets (Note II.20), depreciation policy of fixed assets and amortisation policy of intangible assets (Note II.14 and 17), measurement of provisions (Note II.21), measurement model of investment properties (Note II.13) and revenue recognition (Note II.23), etc.

Key judgments applied for critical accounting policies by the Group are disclosed in Note II.34.

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance for Accounting Standards for Business Enterprises, the Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued (hereafter collectively referred to as 'the Accounting Standards for Business Enterprises' or 'CAS') and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new "Companies Ordinance" of Hong Kong has commenced operation in 2015. Some notes in this financial statement have been adjusted according to requirements the ordinance.

2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as at 31 December 2017 and of their financial performance, cash flows and other information for the year then ended.

3. Accounting year

The Company's accounting year starts from 1 January to 31 December.

附錄三 董事及監事薪酬 A 董事及監事薪酬 A

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

II.

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control means the group has rights in the invested entity, and could gain returns through its involvement with the entity as well as has the ability to affect those returns through its power over the entity. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the stock premium (capital surplus) in capital reserve in the consolidated balance sheet. If the credit balance of stock premium (capital surplus) in capital reserve is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, minority interests and other related items in owners' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when control is lost.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and loss for the period as well as comprehensive income not attributable to Company are recognised as minority interests, net profit and loss attributable to minority interests as well as and comprehensive income attributable to minority interests presented separately in the consolidated financial statements within equity and net profit as well as total comprehensive income respectively. The unrealised profit and loss arising from sales of assets to subsidiaries by the Company are fully eliminated against net profit attributable to owners of the Company. The unrealised profit and loss arising from sales of assets to the Company by subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholding on the subsidiaries. The unrealised profit and loss arising from sales of between subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' share holdings on the subsidiary who sold.

The difference on recognising a same transaction between on the accounting subjects of the Group and of the Company or its subsidiaries would be adjusted on the accounting subject of the Group.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to functional currency at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to functional currency at the rates that approximate the spot exchange rates at the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method. Normally the average exchange rate of the current period or the weighted average exchange rate.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (C

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(1) Financial Assets (Continued)

(b) Receivables (continued)

b. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) Financial assets at fair value

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Accumulated fair value adjustments of available-for-sale financial assets are recognised in equity except impairment and exchange gains and losses of foreign currency financial assets. When available-for-sale financial assets are derecognised, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method and cash dividends on available-for-sale equity instruments when the group's right to receive payments is established are recognised in the income statement as part of other income.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(1) Financial Assets (Continued)

(b) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of impairment loss.

Objective evidence indicating a financial asset is impaired represents matters actually happen subsequently to the initial recognition of the financial assets and exert influences the financial assets' estimated future cash flows which can be reliably measured by the Group.

Evidence of held-to-maturity equity instrument is impaired comprises a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses all available-for-sale financial assets on an individual basis at each balance sheet date. Impairment loss should be recognised if the fair value of an equity instrument has is than 50% (50% inclusive) of its initial investment cost or in the case that the fair value has been less than the initial investment cost for more than one year(one year inclusive). The Group will consider other relevant factors, such as the price volatility, to determine whether an impairment loss should be recognised for the equity instrument if the decline in the fair value of an equity instrument is more than 20% (20% inclusive) but less than 50% of its initial investment cost. The initial investment cost of held-to-maturity equity instrument is calculated using the weighted average method.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is reclassified to profit or loss. If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is reversed through equity.

When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(3) Determination of fair value

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using an appropriate valuation technique that is applicable to current circumstances and supported by sufficient available data and other information. Valuation techniques mainly include market approach and income approach. When applying valuation techniques, inputs used by market participants in the transactions of the assets or liabilities with similar characteristics would be used and observable inputs would be given priority to the extent possible. Unobservable inputs would only be used when it is impossible or impracticable to obtain relevant observable inputs.

(4) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Group.

The perpetual capital instrument is recognised as part of the equity when there is no contractual obligation to repay the principal or pay any interest or dividend.

The consideration received from the issuance of equity instruments net of transaction costs which belong to

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (Continued)

If, after an impairment loss has been recognised on receivables, there is objective evidences of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(1) Receivables that are individually significant and impairment provided on an individual basis

Criteria of provision for receivable that are individually significant and impairment provided on an individual basis.

Individually significant receivables are the receivables with the individual amount over RMB10 million (inclusive) or accounting to 5% or more of the total receivables.

Method of provision for receivable that are individually significant and impairment provided on an individual basis.

An impairment loss is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate.

(2) Receivable that are individually insignificant but impairment provided on an individual basis

Criteria of provision for receivables that are individually insignificant but impairment provided on an individual basis.

Within the receivables whose amounts are individually insignificant, impairment is assessed on an individual basis for the overdue receivables unpaid after collection efforts or with unique characteristics.

Method of provision for receivable that are individually insignificant but impairment provided on an individual basis.

An impairment loss is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (Continued)

(3) Receivables that are assessed for impairment on a collective group basis

For receivables that have not been individually assessed as impaired in (1) and (2), further assessment is made collectively on a group basis with receivables that share similar credit risk characteristics.

Determination method of the group Accounts r
based on credit risk characteristics

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (Continued)

(3) Receivables that are assessed for impairment on a collective group basis (Continued)

Methods of provision for receivables assessed on a collective group basis (based on an ageing analysis, a percentage of the total balance and others).

| | |
|--|--|
| Containers | Provision is determined based on an aging analysis (Overdue aging) |
| Road transportation vehicles | Provision is determined based on an aging analysis (Overdue aging) |
| Energy, chemical and liquid food equipment | Provision is determined based on an aging analysis (Overdue aging) |
| Airport facilities | Provision is determined based on an aging analysis (Overdue aging) |
| Logistics service | Provision is determined based on an aging analysis (Overdue aging) |
| Other business | Provision is determined based on an aging analysis (Overdue aging) |
| Finance lease receivables | Provision is determined based on model analysis |
| Bank acceptance notes | No provision is determined. |

For the above groups, provision is made based on their respective ageing analysis follows:

| Ageing | Percentage of total accounts receivable (%) | |
|---------------------------|---|---------|
| | Group 1,2,4,5,6 | Group 3 |
| Within 1 year (inclusive) | 5% | 0%-5% |
| 1 to 2 years (inclusive) | 30% | 30% |
| Over 2 years | 100% | 100% |

- (4) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

(1) Classification

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

(3) The underlying factors in the determination of net realisable values of inventories and basis of provision for decline in value of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. Borrowing costs directly related to the production of qualifying inventories are also included in the cost of inventories (see Note II.16). In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each class of inventories is recognised in profit or loss as a provision for diminution in the value of inventories.

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation of reusable material including low-value consumables and packaging material

Reusable materials including low-value consumables and packaging materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other ventures and the Group enjoys the rights only on the net assets of investees. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's consolidated financial statements using the cost method, and are adjusted for preparing consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

(1) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' investment in the parting absorbed at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

(2) Subsequent measurement (Continued)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. If the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting period of the Company. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(3) Basis for determining the existence of joint control or significant influence over an investee

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment properties are included in the cost of the investment properties when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts fair value model to subsequently measure investment properties and don't provide depreciation or amortisation. The carrying amount of investment properties is adjusted based on their fair value at the balance sheet date, and the difference between the fair value and the original carrying amount is recognised in profit or loss for the current period.

When an investment properties is transferred to owner-occupied property, it is reclassified to fixed asset or intangible asset with the carrying amount determined at the fair value of the investment properties at the date of the transfer, and the difference between the fair value and the original carrying amount of the investment properties is recognised in profit or loss for the current period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties with the carrying amount determined at the fair value at the date of the transfer. If the fair value at the date of the transfer is less than the original carrying amount of the fixed asset or the intangible asset, the difference is recognised in profit or loss for the current period; otherwise, it is included in other comprehensive income.

An investment properties is derecognised on disposal or when the investment properties is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment properties net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

14. Fixed assets

(1) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of goods or supply of services, for rental to others or for operation and administrative purposes with useful lives over one year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.15.

Where parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed assets (Continued)

(1) Recognition (Continued)

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the to recognise fixed assets criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives, unless the fixed asset is classified as held for sale (see Note II.28). For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

| Classes | Residual Period
(years) | Depreciation
value rate (%) | Depreciation
rate (%) |
|--------------------------------|----------------------------|--------------------------------|--------------------------|
| Plants and buildings | 20-30 | 10% | 3-4.5% |
| Machinery and equipment | 10-12 | 10% | 7.5-9% |
| Office and other equipment | 3-5 | 10% | 18-30% |
| Motor vehicles | 5 | 10% | 18% |
| Dock, wharf | 50 | 10% | 1.8% |
| Offshore engineering equipment | 15-30 | 10% | 3-6% |

Estimated useful lives, estimated residual value and depreciation methods are reviewed and adjusted at least at each year-end.

(3) For the method of impairment testing and measuring, refer to Note II.20.

(4) Basis for identification of fixed assets held under finance leases and related measurement

For criteria of recognition and method of measuring for fixed assets under a finance lease, refer to Note II 27(3).

(5) Disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Construction in progress

Construction in progress is measured at actual cost. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II.20).

16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Borrowing costs (Continued)

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally and the interruption lasts over three months.

17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II.20). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method or other more appropriate methods that can reflect the pattern in which the asset's economic benefits are expected to be realised over its estimated useful life, unless the intangible asset is classified as held for sale (see Note II.28).

The respective amortisation periods for such intangible assets are as follows:

| | Amortisation periods (years) |
|---------------------------------------|------------------------------|
| Land use rights | 20-50 |
| Maritime space use rights | 40-50 |
| Technological know-how and trademarks | 3-15 |
| Timber concession rights | 20 |
| Customer relationships | 4-10 |
| Customer contracts | 3-4 |
| Franchise rights | 10-18 |

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At balance sheet date, an impairment test will be conducted.

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase, such as expenditure on planned research, assessment and selection for manufacturing technique, is recognised in profit or loss in the period in which it is incurred. Before mass production, expenditure on the development phase, such as expenditure on design and test for finalised application, is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and to use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

18. Goodwill

Goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note II.20). On disposal of an asset group or combination of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term prepaid expenses

Long-term prepaid expenses are amortised on a straight-line method within the beneficial period.

The amortisation periods for expensed are as follows:

| Item | Amortisation period (years) |
|--------|-----------------------------|
| Rental | 2-10 |
| Others | 3-5 |

20. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and other long-term assets are tested for impairment when there are indicators of impairment. If the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the asset's fair value less costs of disposal and its value in use. For long-term equity investments that are not accounted for using the equity method, impairment loss is recognized only when there is objective evidence that the investment's carrying amount is not recoverable. For all other long-term assets, impairment loss is recognized when the carrying amount exceeds the asset's fair value less costs of disposal and its value in use. Impairment loss is recognized in the profit or loss account.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Provisions and contingent liabilities

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provisions which is expected to be paid within one year from the balance sheet date are disclosed as current liabilities.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

22. Share-based payments

(1) Classification

Share-based payment transactions in the Group are classified as equity-settled share-based payments and cash-settled share-based payments.

(2) Method to determine the fair value of equity instruments

Fair value of stock option is estimated based on binomial lattice model. Contract term of the stock option is used as the input variable of this model. And the binomial lattice model includes estimation of early execution of the option. The following factors are taken into account when using the binomial lattice model: (1) exercise price of the option; (2) vesting period; (3) current price of basic stocks; (4) expected fluctuation of stocks; (5) expected dividends of stocks; (6) risk-free rate within the option term.

(3) Basis of the best estimate of the number of equity instruments expected to vest

At each balance sheet date during the vesting period, the Group makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. On vesting date, the estimate shall be equal to the number of equity instruments that ultimately vested.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Share-based payments (Continued)

(4) Accounting treatment for share-based payment

(A) Equity-settled share-based payment

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is, on grant date, recognised as relevant cost or expenses with a corresponding increase in capital reserve. If the equity instruments granted to employees do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group, at each balance sheet date during the vesting period, makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. Based on the best estimation, the Group recognises the services received for the current period as related costs or expenses, with a corresponding increase in capital reserve, at an amount equal to the fair value of the equity instruments at the grant date.

(B) Cash-settled share-based payment

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If the rights under a cash-settled share-based payment do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group, at each balance sheet date during the vesting period, recognises the services received for the current period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue recognition

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met.

(1) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

- (a) The significant risks and rewards of ownership of goods have been transferred to the buyer;
- (b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

For the sale of goods, the Group recognises revenue when the following conditions are met:

The Group recognises revenue after receive acceptance certificates from customers.

For the sale of road transportation vehicles, the Group recognises revenue when the following conditions are met:

Sales of Road transportation vehicles are divided into sales to domestic customers and sales to overseas customers. As to sales to domestic customers, the Group recognises revenue when the following conditions are met:

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue recognition (Continued)

(2) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses associated with the construction contract are recognised at the balance sheet date using the percentage of completion method.

The stage of completion of a contract is determined based on completion of a physical proportion of the contract work.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue recognition (Continued)

(3) Rendering of services (Continued)

Where outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

For freight agencies, revenues are recognised at the ship departure date (export) or the arrival date (import). As to land freight agencies, revenues are recognised when goods have arrived at the specified location. For shipping agency: revenues are recognised at the day that ship departs.

24. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, pension benefits and termination of employment benefits.

(1) short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds and short term paid absence and etc. Actual short-term wages are recognised as liabilities in the periods when the employees render services and are charged into profit or loss or capitalised in costs of related assets. The non-monetary welfare is measured at fair value.

(2) pension benefits

During the reporting period, the Group's pension benefits are basic pension insurance and unemployment insurance which are all defined contribution plans.

Basic pension insurance

The Group's employees participated in the basic social pension insurance organised and implemented by local labour and social security bureau. The Group paid the basic pension issuance expenses monthly to designated insurance companies for its employees according to the basis amounts and rates determined by the local regulations. After retirement, local labour and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognised as liabilities during the periods when the employees render services and are charged to profit or loss or capitalised in costs of related assets.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

(3) Enterprise annuities plan

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or compensation to encourage employees' voluntary layoffs, which is recognised as a liability and charged to profit or loss on the earlier one when the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognised.

The Enterprise annuities plan with payment within one year at the balance sheet date are classified as current liabilities.

25. Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at nil consideration except for the capital contribution from the government as an investor in the Group, including refund of taxes and financial subsidies, etc.. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. If a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable; the grant is measured at nominal amount.

Government grants related to assets represent grants obtained from government which are to compensate long-term assets purchased or other ways. Government grants related to income represent those government grants other than related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset by the reasonable and systematic method. For government grants related to income, where the grant is a compensation for related costs or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period or reduces the related costs. The group uses the same method to disclosure government grants in same category.

Government grants related to daily activities are included in operating profits. Government grants that are not related to daily activities are included in non-operating income and expenditure.

For the policy-based preferential interest rate loans received by the Group, the entry value of the borrowings shall be the borrowing amount actually received, and the relevant borrowing costs shall be calculated based on the principal of the borrowings and the policy preferential interest rate. The financial interest subsidy directly received by the Group reduces the relevant borrowing costs.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Deferred tax assets and deferred tax liabilities

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, which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities;
- the deferred income tax assets and deferred income tax liabilities are related to the income tax imposed by the same tax collection and management department on the same tax subject or are related to the income tax collected by different taxpayers, but the subject is intended to be involved in the period of the return of every important deferred income tax assets and liabilities in the future. Net income, assets and liabilities, or assets at the same time.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Operation and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Assets acquired under operating leases

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note II.13) are depreciated in accordance with the Group's depreciation policies described in Note II.14(2). Impairment losses are provided for in accordance with the accounting policy described in Note II.20. Other leased out assets under operating leases are amortised using the straight-line method. Income derived from operating leases is recognised in the income statement using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs that are attributable to a finance lease incurred by the Group

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Operation and finance leases (Continued)

(4) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are presented as long-term receivables or non-current assets due within one year, respectively in the balance sheet. Please refer to Notes II.9 for accounting policy on the derecognition and impairment of finance lease receivables.

28. Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied:

- a. The non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group;
- b. The Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions:

- (a) It represents a separate major line of business or geographical area of operations;
- (b) It is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- (c) It is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Hedge accounting

Hedge accounting is a method which recognises the offsetting effects of fair value and cash flow of the hedging instruments and the hedged items on current profit or loss in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group's hedged item include a forecast transaction that is settled with a fixed amount of foreign currency and expose the Group to foreign currency risk.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, a non-derivative financial asset or non-derivative financial liability may also be used as a hedging instrument.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it has been highly effective throughout the accounting periods for which the hedging relationship was designated. A hedge is regarded as highly effective if both of the following conditions are satisfied:

- at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;
- the actual results of offsetting are within a range of 80% to 125%.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component. That effective portion is adjusted to the lower of the following in absolute amounts:

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Hedge accounting (Continued)

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall not be reclassified into profit or loss and is recognised in accordance with the accounting policy statements, the associated gain or loss, if the gain or loss affects profit or loss. When a

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Related parties (Continued)

- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals if a party has control, joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors and close family members of such individuals;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent and close family members of such individuals;
- (k) close family members of key management personnel of the Company's parent; and
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Besides the related parties stated above determined in accordance with the requirements of CAS, the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

- (m) enterprises or persons that act in concert that hold 5% or more of the Company's shares;
- (n) individuals and close family members of such individuals who directly or indirectly hold 5% or more of the Company's shares, supervisors for listed companies and their close family members;
- (o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following conditions:

- It engages in business activities from which it may earn revenues and incur expenses;
- Its financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;
- The Group is able to obtain its financial information regarding financial position, financial performance and cash flows, etc.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics, and are similar in respect of the following aspects:

- the nature of each product and service;
- the nature of production processes;
- the type or class of customers for the products and services;
- the methods used to distribute the products or provide the services;
- the legal and regulatory impact on manufacturing of products and rendering of services.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Significant changes in accounting policies

In 2017, the Ministry of Finance released the 'Accounting Standard for Business Enterprises No. 42-Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations', revised 'Accounting Standard for Business Enterprises No. 16-Government Grants' and the 'Circular on Amendment to Formats of Financial Statements of General Industry' and its interpretation (Cai Kuai [2017] 30). The 2017 financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

| The nature and the reasons of the changes in accounting policies | The line items affected | The amounts affected |
|---|--|--------------------------------|
| The group classified the refund of the value-added tax obtained in 2017 into other income. The 2016 comparative financial statements have not been restated. | Not applicable | Not applicable |
| The Group and the Company included government grants related to revenue and related to the daily activities in 2017 in other income or wrote down the related costs; The group include government grants related to assets in deferred income, During the service life, the amount shall be calculated in stages according to a reasonable and systematic method into other income. The 2016 comparative financial statements have not been restated. | Not applicable | Not applicable |
| | | 2016 |
| The Group recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in gains on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly. | Gains on disposals of assets
Non-operating income
Non-operating expenses | 402,346
(451,565)
49,219 |
| The Company recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in gains on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly. | Gains on disposals of assets
Non-operating income
Non-operating expenses | 116
(116)
- |

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes IV.19, IX and XIV contain information about the assumptions and their risk factors relating to impairment of goodwill, share-based payments and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in Note II.10, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there has been a change in the factors used to determine the provision for impairment which indicates that the value of the receivables has recovered, the impairment loss recognised in prior years can be reversed.

(2) Impairment of long-term assets

As described in Note II.20, long-term assets (including goodwill, fixed assets and vessels under construction) are reviewed at each balance sheet date to determine whether the recoverable amount of the assets is lower than carrying amount. If any indication shows that the carrying amount of the assets may not be fully recovered, the assets is deemed to have been impaired and an impairment loss is recognised.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

If the management revised the gross profit margin used in the future cash flow calculation of the asset (asset group) and the revised gross profit margin is lower than the gross profit margin currently used, the Group is required to make provision for impairment of long-term assets.

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II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Critical accounting estimates and judgements (Continued)

(2) Impairment of long-term assets (Continued)

If the management revised the discount rate before tax applied to the cash flow discount and the revised discount rate before tax is higher than the discount rate currently used, the Group is required to make provision for impairment of long-term assets.

If the actual gross margin or discount rate before tax is higher or lower than the management's estimate, the Group can not reverse previously recognised provision for impairment of long-term asset.

(3) Provision for diminution in value of inventories

As described in Note II.11, the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(4) Depreciation and amortisation of assets such as fixed 5(t)0.the provision.5(ru(provision 1(6n in vai.adjuvistdi.adjuvisdju3

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Critical accounting estimates and judgements (Continued)

(6) Construction contract

As described in Note II.23, contract revenue and contract profit are recognised based on the stage of completion of a contract which is determined with reference to the proportion of the physical construction work completed to the total estimated construction work. Where a contract is completed substantially and its contract revenue and contract expenses to completion can be reliably measured, the Group estimates contract revenue and contract expenses with reference to its recent construction experience and the nature of the construction contracts. For a contract that is not completed substantially, contract revenue that should be recognised based on its stage of completion, is not recognised and disclosed in the financial statements. Therefore, at the balance sheet date, actual total contract revenue and total contract cost may be higher or lower than the estimated total contract revenue and total contract cost and any change of estimated total contract revenue and total contract cost may have financial impact on future profit or loss.

(7) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(8) Estimation of fair value of investment properties

The Group recognised the fair value of the investment properties based on the valuation assessed by the independent professional valuer or the quotation from the potential independent third party purchaser. To assess the fair value of investment properties, as stated in Note XIV, 6, several significant judgments and assumptions are used.

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III. TAXATION

1. Main taxes categories and rates

| Types of tax | Tax basis | Tax rate |
|--|--|-----------------|
| Value added tax (VAT)(a) | The output VAT calculated based on taxable income from sales of goods and rendering of service, after subtracting the deductible input VAT of the period, is VAT payable | 6%, 11% and 17% |
| Business tax (a) | Taxable revenue | 3% and 5% |
| Urban maintenance and construction tax | Business tax payable and VAT payable | 7% |
| Income tax | Taxable income | Note 1 |
| The Netherlands/Australia service tax rate | Calculated based on revenue arising from sales of goods and rendering of service, less deductible or refundable taxes for purchase of goods | 10-19% |

- (a) Pursuant to "Circular on comprehensively pushing off the pilot projects for replacing the Business Tax with a Value-Added Tax" issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2016] No.36) some relevant incomes of the subsidiaries of the Group which operate in modern service industries (including logistics service and logistics support service), financial leasing, container yard service and tangible movable property leasing are applicable to Value-Added Tax (VAT). The VAT rates of modern service industries (including logistics service and logistics support service), container yard services and financial services is 6%; financial leasing and tangible movable property leasing, immovable property leasing and selling business are 17% and 11% respectively. Before 1 May 2016, the service industry, the financial industry and the real estate industry applied a 5% business tax rate, and the construction industry applied a 3% business tax rate.

Note 1: The income tax rates applicable to the Group for the year are as follows:

| | 2017 | 2016 |
|---|-------------|-------------|
| The Company | 25% | 25% |
| Subsidiaries registered in China | 15-25% | 15-25% |
| Subsidiaries registered in Hong Kong | 16.5-25% | 16.5-25% |
| Subsidiaries registered in British Virgin Islands | – | – |
| Subsidiary registered in US | 15-36.65% | 15-35% |
| Subsidiary registered in Germany | 15.83-31.6% | 15.83-31.6% |
| Subsidiary registered in Britain | 19% | 20% |
| Subsidiary registered in Australia | 30% | 30% |
| Subsidiary registered in the Netherlands | 25% | 25% |
| Subsidiary registered in Belgium | 34% | 34% |
| Subsidiary registered in Denmark | 22% | 22% |
| Subsidiary registered in Poland | 19% | 19% |
| Subsidiary registered in Thailand | 20% | 20% |
| Subsidiary registered in Singapore | 17% | 17% |
| Subsidiary registered in Sweden | 22% | 26.3% |
| Subsidiary registered in Cayman Islands | – | – |
| Subsidiary registered in Malaysia | 24% | 24% |
| Subsidiary registered in Luxembourg | 27.08% | 27.08% |

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III. TAXATION (CONTINUED)

2. Preferential tax treatments

The Group's subsidiaries that are entitled to preferential tax treatments are as follows:

| | Name of subsidiaries | Local statutory tax rate | Preferential rate | Reasons |
|---|---|--------------------------|-------------------|--|
| 1 | Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 2 | Xinhui CIMC Special Transportation Equipment Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2016 entitled to 15% preferential rate |
| 3 | Yangzhou Runyang Logistic Equipment Co., Ltd | 25% | 15% | Continue to be recognised as high-tech enterprises in 2017 entitled to 15% preferential rate |
| 4 | | | | |

%15Continue to be recognised as high-tech
15%

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III. TAXATION (CONTINUED)

2. Preferential tax treatments (Continued)

| | Name of enterprises | Local statutory tax rate | Preferential rate | Reasons |
|----|---|--------------------------|-------------------|--|
| 12 | Enric (Lang fang) Energy Equipment Integration Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 13 | Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 14 | Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 15 | Liaoning CIMC Hashenleng Gas Liquefaction Plant Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 16 | Nantong CIMC Energy Equipment Co, Ltd | 25% | 15% | Continue to be recognised as high-tech enterprises in 2017 entitled to 15% preferential rate |
| 17 | Enric (Nantong) CIMC Food Equipment Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2016 entitled to 15% preferential rate |
| 18 | Shenzhen CIMC – Tianda Airport Support Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2017 entitled to 15% preferential rate |
| 19 | Xinfa Airport Equipment Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2015 entitled to 15% preferential rate |
| 20 | Shenzhen CIMC Tianda Logistics Systems Engineering Co., Ltd | 25% | 15% | Continue to be recognised as high-tech enterprises in 2016 entitled to 15% preferential rate |
| 21 | Shenzhen CIMC Intelligent Technology Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2017 entitled to 15% preferential rate |
| 22 | Hunan CIMC Bamboo Industry Development Co., Ltd. | 25% | 15% | Continue to be recognised as high-tech enterprises in 2017 entitled to 15% preferential rate |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Please refer to Notes VI.1 and IV.13 for the definition of subsidiaries, associates and joint ventures.

1. Cash at bank and on hand

| | 31 December
2017 | 31 December
2016 |
|------------------------|---------------------|---------------------|
| Cash on hand | 4,406 | 157,493 |
| Bank deposits | 4,863,666 | 5,711,162 |
| Other cash balances | 728,242 | 457,343 |
| Total | 5,596,314 | 6,325,998 |
| Including: cash abroad | 3,149,051 | 1,938,284 |

As at 31 December 2017, restricted cash at bank and on hand of the Group amounted to 1,353,836,000 (31 December 2016: 987,257,000), refer to Note IV.24 for details.

As at 31 December 2017, restricted cash at bank and on hand of the Group mentioned above included deposits of Finance Company in the People's Bank of China, amounting to 484,672,000 (31 December 2016: 504,795,000). Finance Company is a finance institution authorised by the People's Bank of China.

2. Financial assets at fair value through profit or loss

(1) Classification

| | Note | 31 December
2017 | 31 December
2016 |
|--|------|---------------------|---------------------|
| Current Portion | | | |
| 1. Investments in equity instrument held for trading | | | |
| – Listed companies | (3) | 183,303 | 138,072 |
| 2. Derivative financial assets | | | |
| – Forward foreign exchange contracts | (4) | 8,078 | 1,782 |
| – Foreign exchange option contracts | (5) | 2,135 | – |
| – Interest rate swap | (6) | 4 | – |
| 3. Hedging Instrument | | 1,360 | 1,306 |
| Total | | 194,880 | 141,160 |
| Non-current Portion | | | |
| Derivative financial assets | | | |
| – Interest rate swap | (6) | 318,534 | 325,187 |
| Total | | 318,534 | 325,187 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets at fair value through profit or loss (Continued)

- (2) As at 31 December 2017 and 31 December 2016, there is no material restriction of the investment in financial assets at fair value through profit or loss.
- (3) The equity instruments held for trading are securities listed on the Stock Exchange of Hong Kong Limited and Singapore Exchange Limited, the fair value of securities is determined at the closing price of the Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange and Singapore Exchange Limited on the last trading day of the year.
- (4) **Forward foreign exchange contracts**

As at 31 December 2017, the Group had certain unsettled forward contracts, mainly denominated in US dollars, Japanese yen, Great Britain pound and Euro. The nominal value of these contracts amounted to US dollar (USD) 26,000,000, Japanese Yen (JPY) 696,890,000, Great Britain Pound (GBP) 5,600,000 and Euro (EUR) 7,100,000, respectively. Pursuant to these forward contracts, the Group are required to buy/sell foreign currencies, such as USD, Japanese yen, Great Britain pound, Euro of contracted nominal value at agreed rates in exchange of RMB at

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable

(1) Classification of Notes receivable

| | 31 December
2017 | 31 December
2016 |
|-----------------------------------|---------------------|---------------------|
| Bank acceptance notes | 1,241,308 | 1,374,487 |
| Trade acceptance notes | 135,556 | 161,704 |
| Less: Provision for bad debts (i) | – | – |
| Total | 1,376,864 | 1,536,191 |

(i) As at December 31, 2017 and December 31, 2016, the Group did not consider the notes receivable to be impaired and no provision for bad debts was recorded.

No amount due from shareholders who hold 5% (including 5%) or more of the voting rights of the Company is included in the above balance of bills receivable.

All of the above bills receivable are due within one year.

(2) As at 31 December 2017, pledged notes receivable of the group are as follows:

| | 31 December
2017 |
|-----------------------|---------------------|
| Bank acceptance notes | 72,475 |

(3) As at 31 December 2017, there was no transferred from notes to accounts receivable due to failure of performance by the issuers (31 December 2016: 200,000).

(4) As at 31 December 2017, outstanding notes receivable endorsed by the Group are as follows:

| | Derecognised | Not
Derecognised |
|------------------------|------------------|---------------------|
| Bank acceptance notes | 4,529,687 | 21,060 |
| Trade acceptance notes | 12,709 | – |
| Total | 4,542,396 | 21,060 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Accounts receivable analysed by customer categories is as follows:

| Category | 31 December
2017 | 31 December
2016 |
|--|---------------------|---------------------|
| Containers | 6,761,566 | 2,540,433 |
| Road transportation vehicles | 2,265,036 | 2,396,644 |
| Energy, chemical and liquid food equipment | 3,346,180 | 3,220,025 |
| Offshore engineering | 699,837 | 244,655 |
| Airport facilities | 1,334,724 | 1,255,195 |
| Logistics services | 1,287,373 | 1,159,172 |
| Heavy truck | 772,761 | 769,250 |
| Others | 686,426 | 569,937 |
| Sub-total | 17,153,903 | 12,155,311 |
| Less: provision for doubtful debts | (757,177) | (629,236) |
| Total | 16,396,726 | 11,526,075 |

(2) The aging analysis of account receivables is as follows:

| | 31 December
2017 | 31 December
2016 |
|------------------------------------|---------------------|---------------------|
| Within 1 year (inclusive) | 15,136,840 | 10,329,997 |
| 1 to 2 years (inclusive) | 1,045,390 | 989,469 |
| 2 to 3 years (inclusive) | 796,015 | 548,922 |
| Over 3 years | 175,658 | 286,923 |
| Sub-total | 17,153,903 | 12,155,311 |
| Less: provision for doubtful debts | (757,177) | (629,236) |
| Total | 16,396,726 | 11,526,075 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Accounts receivable analysed by categories is as follows:

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|--|-----|------------------|--------------------|------------------------------|-----------|------------------|--------------------|------------------------------|-----------|
| | | Book balance | | Provision for doubtful debts | | Book balance | | Provision for doubtful debts | |
| | | Amount | % of total balance | Amount | Ratio (%) | Amount | % of total balance | Amount | Ratio (%) |
| Accounts receivable provisions individually assessed for those with individual significant value | (4) | 6,949,240 | 40.51% | 348,984 | 5.02% | 2,987,769 | 24.58% | 142,565 | 4.77% |
| Accounts receivable provisions individually assessed for those with individual small value | (5) | 2,688,879 | 15.68% | 121,257 | 4.51% | 599,213 | 4.93% | 63,181 | 10.54% |
| Provision for doubtful debts collectively assessed* | | | | | | | | | |
| Group- containers | | 2,857,910 | 16.66% | 21,281 | 0.74% | 1,733,265 | 14.26% | 14,762 | 0.85% |
| Group- Road transportation vehicles | | 1,010,433 | 5.89% | 85,529 | 8.46% | 1,315,102 | 10.82% | 100,810 | 7.67% |
| Group- energy, chemical and liquid food equipment | | 1,461,753 | 8.52% | 57,610 | 3.94% | 2,911,678 | 23.95% | 201,187 | 6.91% |
| Group- airport facilities | | 628,918 | 3.67% | 49,255 | 7.83% | 944,708 | 7.77% | 54,025 | 5.72% |
| Group- logistics services | | 1,001,137 | 5.84% | 36,742 | 3.67% | 1,002,835 | 8.25% | 34,573 | 3.45% |
| Group- heavy truck | | 375,382 | 2.19% | 24,352 | 6.49% | 303,664 | 2.50% | 6,020 | 1.98% |
| Group- offshore engineering and Others | | 180,251 | 1.04% | 12,167 | 6.75% | 357,077 | 2.94% | 12,113 | 3.39% |
| Group sub-total | (6) | 7,515,784 | 43.81% | 286,936 | 3.82% | 8,568,329 | 70.49% | 423,490 | 4.94% |
| Total | | 17,153,903 | 100.00% | 757,177 | 4.41% | 12,155,311 | 100.00% | 629,236 | 5.18% |

Note*: This category includes accounts receivable that is individually tested but not impaired.

As at 31 December 2017, the Group did not hold any collateral for accounts receivable that were made impairment aforesaid.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

- (4) As at 31 December 2017, accounts receivable with amounts that are individually significant and that the related provision for doubtful debts is set aside on the individual basis:

| Category | Book balance | Provision for doubtful debt | Ratio (%) | Reason |
|---|------------------|-----------------------------|--------------|---|
| Containers | 2,996,383 | 87,420 | 2.92% | Provision is set aside based on the estimated recoverable amount according to assessment of credit risk and historical data |
| Road transportation vehicles | 931,393 | 51,023 | 5.48% | |
| Energy and chemical & liquid food equipment | 1,005,159 | 139,150 | 13.84% | |
| Offshore engineering | 398,363 | 60 | 0.01% | |
| Airport facilities | 691,753 | 31,278 | 4.52% | |
| Logistics services | 145,769 | 871 | 0.60% | |
| Heavy truck | 397,379 | 38,603 | 9.71% | |
| Others | 383,041 | 579 | 0.15% | |
| Total | 6,949,240 | 348,984 | 5.02% | |

- (5) As at 31 December 2017, accounts receivable with amounts that are not individually significant but that the related provision for doubtful debts is set aside on the individual basis:

| Category | Book balance | Provision for doubtful debt | Ratio (%) | Reason |
|---|------------------|-----------------------------|--------------|---|
| Containers | 907,273 | 6,913 | 0.76% | Provision is set aside based on the estimated recoverable amount according to assessment of credit risk and historical data |
| Road transportation vehicles | 323,210 | 42,038 | 13.01% | |
| Energy and chemical & liquid food equipment | 879,268 | 65,354 | 7.43% | |
| Offshore engineering | 301,464 | 2,207 | 0.73% | |
| Logistics services | 140,467 | 4,081 | 2.91% | |
| Airport facilities | 14,053 | 304 | 2.16% | |
| Others | 123,144 | 360 | 0.29% | |
| Total | 2,688,879 | 121,257 | 4.51% | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(6) The aging analysis of provision for doubtful debts collectively assessed:

| | 31 December 2017 | | | 31 December 2016 | | |
|---------------|------------------|-----------------------------|-----------|------------------|-----------------------------|-----------|
| | Book balance | Provision for doubtful debt | | Book balance | Provision for doubtful debt | |
| | Amount | Amount | Ratio (%) | Amount | Amount | Ratio (%) |
| Within 1 year | 7,004,393 | 74,436 | 1.06% | 7,386,617 | 77,585 | 1.05% |
| 1 to 2 years | 216,514 | 24,193 | 11.17% | 604,679 | 59,829 | 9.89% |
| 2 to 3 years | 181,915 | 87,559 | 48.13% | 368,380 | 151,792 | 41.21% |
| Over 3 years | 112,962 | 100,748 | 89.19% | 208,653 | 134,284 | 64.36% |
| Total | 7,515,784 | 286,936 | 3.82% | 8,568,329 | 423,490 | 4.94% |

The aging is calculated from the date that the accounts receivable is recognised.

(7) Reversal or recovery of provision for the year

The provision for doubtful debt this year amounted to 229,452,000 (2016: 204,596,000), A provision for doubtful debt amounted to 89,260,000 has been collected or reversed (2016: 29,642,000).

(8) Accounts receivable that are written off in current year

The accounts receivable amounted to 465,000 was written off in current year (2016: 10,774,000).

(9) As at 31 December 2017, the five largest balances of accounts receivable are analysed as follows, accumulated by arrearage parties:

| | Book balance | Provision for doubtful debt | % of total accounts receivable |
|---|--------------|-----------------------------|--------------------------------|
| Total of the five largest accounts receivable | 3,869,278 | 81 | 22.56% |

As of December 31 2016, the total amount of the top five accounts receivable of the Group was 1,132,622,000, accounting for 9.32% of the total accounts receivable.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(10) Accounts receivable from related parties:

As at 31 December 2017, the Group's accounts receivable due from related parties amounted to 541,748,000 (31 December 2016: 254,396,000), accounting for 3.16% of the total accounts receivable (31 December 2016: 2.09%).

| Company name | Relationship with the Group | 31 December 2017 | | | 31 December 2016 | | |
|--|---------------------------------------|------------------|--------------------|------------------------------|------------------|--------------------|------------------------------|
| | | Amount | % of total balance | Provision for doubtful debts | Amount | % of total balance | Provision for doubtful debts |
| Florens Container Investment (SPV) Limited ("FCI") | Subsidiary of significant shareholder | 130,145 | 0.76% | - | - | - | - |
| Florens Container Services Company Limited ("FCS") | Subsidiary of significant shareholder | 99,973 | 0.58% | - | - | - | - |
| Shanxi Heavy Duty Auto-mobile Co., Ltd. ("SHDA") | Minority shareholders of subsidiaries | 72,974 | 0.43% | - | 27,987 | 0.23% | - |
| Ningxia Changming Natural Gas Development Co., Ltd. ("Ningxia Changming") | Associate | 60,750 | 0.35% | - | 78,389 | 0.64% | - |
| SUMITOMO CORPORATION ("SUMITOMO") | Minority shareholders of subsidiaries | 49,292 | 0.29% | - | 56,538 | 0.46% | - |
| Florens Container Corporation S.A. ("FCC") | Subsidiary of significant shareholder | 40,100 | 0.23% | - | 1,543 | 0.01% | - |
| DongFan International Container (LianYunGang) Co., Ltd ("DongFan International") | Subsidiary of significant shareholder | 24,129 | 0.14% | - | 27,650 | 0.23% | - |
| Zhejiang Xinlong Bamboo Industry Co., Ltd (Zhejiang Xinlong) | Associate | 21,874 | 0.13% | - | - | - | - |
| DongFan International Container (GuangZhou) Co., Ltd ("DongFan International (GuangZhou)") | Subsidiary of significant shareholder | 12,417 | 0.07% | - | - | - | - |
| Gasfin Investment S.A. ("Gasfin") | Minority shareholders of subsidiaries | 9,819 | 0.06% | - | 8,183 | 0.07% | - |
| NYK Zhenhua logistics (Tianjin) Co. Ltd. ("NKY Zhenhua") | Joint venture | 2,914 | 0.02% | - | 5,795 | 0.05% | - |
| Sichuan Zhongyixinwei Energy Co., Ltd ("Zhongyixinwei") | Associate | - | - | - | 27,400 | 0.23% | - |
| Florens Maritime Limited ("FML") | Subsidiary of significant shareholder | - | - | - | 7,311 | 0.06% | - |
| Other related parties | | 17,361 | 0.10% | - | 13,600 | 0.11% | - |
| Total | | 541,748 | 3.16% | - | 254,396 | 2.09% | - |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(11) Accounts receivable derecognised due to transfer of financial assets

As at 31 December 2017, accounts receivable derecognised due to transfer of financial asset amounted to 204,979,000 with relative loss amounted to 144,000 (31 December 2016: Nil).

(12) Amount of assets and liabilities recognised due to the continuing involvement of securitised accounts receivable

There has been no securitised accounts receivable as at 31 December 2017 and 31 December 2016.

(13) As at 31 December 2017, the Group has no restricted accounts receivable (31 December 2016: Nil).

5. Other receivables

(1) Other receivables analysed by categories are as follows:

| | 31 December
2017 | 31 December
2016 |
|--|---------------------|---------------------|
| Receivables arising from financing related parities | 395,750 | 873,585 |
| Receivables from share capital increase/share capital transfer | 4,312,910 | 4,020,057 |
| Advanced payment of equity transfer and financial grants (i) | 178,634 | 1,658,985 |
| Loans (ii) | 363,518 | 1,011,616 |
| Assets purchased under reverse repurchase agreements (iii) | 1,200,379 | 999,926 |
| Security deposits | 974,064 | 663,995 |
| Receivables from demolition compensation (iv) | 74,212 | 572,258 |
| Tax refund receivables | 210,685 | 167,099 |
| Others | 946,127 | 960,805 |
| Sub-total | 8,656,279 | 10,928,326 |
| Less: provision for doubtful debts | (396,543) | (1,580,439) |
| Total | 8,259,736 | 9,347,887 |

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables analysed by categories are as follows (Continued):

- (i) An indirect wholly-owned subsidiary of Enric, a subsidiary of the Group, Enric Investment Holdings, entered into an agreement ("Agreement") on 27 August 2015 with SOEG PTE LTD ("SOEG"), Jiangsu Pacific Shipbuilding Group Co., Ltd. ("Jiangsu Pacific") and Evergreen Group Co., Ltd ("Evergreen") (collectively, the "Vendors"), pursuant to which the Vendors agreed to sell and EIHL agreed to purchase 100% equity interest in SinoPacific Offshore & Engineering Co., Ltd ("SOE"). Afterwards, the Company, SOE and Evergreen entered into a financial assistance framework agreement ("Financial Assistance Agreement") which governed the financial assistance provided by the Group to SOE in the form of loans and guarantees.

As at 1 June 2016, Enric announced that the Board considered certain conditions precedent in the Agreement could not be fulfilled and the Vendors had breached certain material terms of the Agreement. EIHL delivered termination notices to the Vendors for termination of the Agreement. Enric assessed the prepayments due from the seller and the recoverability of the receivables from Nantong Pacific. As of December 31, 2016, Enric provided a bad debt provision of RMB178,634,000 for the full amount of prepaid consideration paid by the seller and a corresponding provision for bad debts of RMB1,184,281,000 for the amount received from SOE.

As far as Enric knows well, based on the solvency analysis report provided by the administrator, it is estimated that the recoverable amount of the receivables from SOE is approximately RMB190,521,000. Therefore, Enric further accrued impairment provision of approximately RMB105,549,000 and recorded the provision for impairment in the consolidated income statement for the year ended December 31, 2017.

SOE was taken over by the Nantong Pacific Bankruptcy Liquidation Group (the "Manager") appointed by the Chinese court. On July 5, 2017, Enric Investment Holdings, SOE and the Manager entered into a restructuring investment agreement ("Reorganization Plan"), pursuant to which Enric Investment Holdings (as a restructured investor) submitted an offer. Through the acquisition of the entire equity interest in Nantong Pacific, Nantong Pacific purchased a major asset with a cash consideration of RMB799,800,000. Subsequently, the reorganization plan was officially approved by the SOE creditors at the creditors' meeting on July 22, 2017 and was officially approved by the Chinese court on August 4, 2017. SOE became a wholly-owned subsidiary of Enric Investment Holdings on August 4, 2017 (Note V. 1).

- (ii) The borrowings mainly contained Car loan compensation with an amount of 136,742,000, interbank borrowings of the Finance Company with an amount of 71,876,000 which expired on January 2, 2018; third party borrowings and petty cash fund for staff.
- (iii) Assets purchased under reverse repurchase agreements mainly contained the interbank pledge-style repo transactions of Finance company, one of the subsidiary of the Group.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(1) Other receivables analysed by categories are as follows (Continued):

- (iv) In order to meet the construction needs of Luo Dian Large-Scale Residential Community project in Baoshan District, Shanghai, Shanghai Reefer Container Co. Ltd, one of the non-wholly-owned subsidiary of the Group, decided to demolish the land, housing, facilities and auxiliary equipment which is located in 6888 Hutai Road, Baoshan District, Shanghai (Land area of 290.55 acres). As at 20 December 2016, a contract named "The demolition compensation agreement of the housing demolition of large residential community in Luo Dian Base" (hereinafter referred to as "compensation agreement") was signed between the SCRC and the Land Reserve Center of Baoshan district, Shanghai (hereinafter referred to as "Baoshan District Land Reserve Center") and the compensation amount agreed was 572,258,000. "Property Certificate" and other relevant ownership certificates which are required during the demolition have been signed and submitted on the date of the contract to the relevant departments of Baoshan District Land Reserve Center for them to go through the financial supervision and approval, land acquisition and property rights cancellation procedures. Besides, other substantive obligations agreed have been completed in 2016. As of December 31, 2017, the amount of RMB28,612,000 had not been recovered.

On June 1, 2017, Tianjin Binhai High-tech Industrial Development Zone Land Reserve Center and the wholly-owned subsidiary of the Group, CIMC Beiyang, signed the "Tianjin Land Consolidation Reserve Project Compensation Contract." CIMC Beiyang needs to submit this demolition. The "Real Estate Ownership Certificate" or other relevant ownership certificate of the demolished house was handed over to the Tianjin Binhai Hi-Tech Industrial Development Zone Land Reserve Center on the date of signing of the contract and submitted to the relevant department for financial supervision and approval, land acquisition and storage, and property rights cancellation procedures. The substantive obligations stipulated in the compensation agreement have also been completed in 2017. As of December 31, 2017, the amount of RMB45,600,000 had not been recovered.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(2) Aging analysis of other receivables is as follows:

| | 31 December
2017 | 31 December
2016 |
|------------------------------------|---------------------|---------------------|
| Within 1 year (Inclusive) | 4,265,567 | 9,667,565 |
| 1 to 2 years (Inclusive) | 4,018,531 | 999,143 |
| 2 to 3 years (Inclusive) | 245,522 | 95,819 |
| Over 3 years | 126,659 | 165,799 |
| Sub-total | 8,656,279 | 10,928,326 |
| Less: provision for doubtful debts | (396,543) | (1,580,439) |
| Total | 8,259,736 | 9,347,887 |

The aging is calculated from the date that other receivables are recognised.

As at 31 December 2017 and 31 December 2016, the Group has no other material receivables overdue without impairment.

(3) Other receivables analysed by categories are as follows:

| Note | 31 December 2017 | | | | 31 December 2016 | | | | |
|--|--------------------|-----------|-----------------------------|---------|--------------------|------------|-----------------------------|-----------|--------|
| | Book balance | | Provision for doubtful debt | | Book balance | | Provision for doubtful debt | | |
| | % of total balance | | Ratio (%) | | % of total balance | | Ratio (%) | | |
| | Amount | | Amount | | Amount | | Amount | | |
| Other receivables with amounts that are individually significant | (4) | 6,939,712 | 80.17% | 323,538 | 4.66% | 9,379,989 | 85.83% | 1,503,143 | 16.02% |
| Other receivables with amounts that are not individually significant | | 1,716,567 | 19.83% | 73,005 | 4.25% | 1,548,337 | 14.17% | 77,296 | 4.99% |
| Total | | 8,656,279 | 100.00% | 396,543 | 4.58% | 10,928,326 | 100.00% | 1,580,439 | 14.46% |

The Group did not hold any collateral for other receivables with provisions for bad debts.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(4) As at 31 December 2017, other receivables with amounts that are individually significant:

| | Book balance | Provision for doubtful debt | Ratio (%) | Reason |
|--|------------------|-----------------------------|-----------|--------|
| Receivables arising from financing related parities | 379,267 | – | 0.00% | |
| Receivables from share capital increase/share capital transfer | 4,305,070 | – | 0.00% | |
| Advanced payment of equity transfer and financial grants | 178,634 | 178,634 | 100.00% | Note 1 |
| Redemptory monetary capital for sale | 1,200,379 | – | 0.00% | |
| Loan | 300,807 | 88,672 | 29.48% | |
| Receivables from demolition compensation | 74,212 | – | 0.00% | |
| Tax refund receivables | 113,568 | – | 0.00% | |
| Others | 387,775 | 56,232 | 14.50% | |
| Total | 6,939,712 | 323,538 | | |

Note 1: The provision for doubtful debts is individually assessed based on the recoverability of individual balance.

(5) Reversal or recovery of provision for the year

The provision for doubtful debt this year amounted to 147,281,000. A provision for doubtful debt amounted to 28,699,000 has been recovered or reversed.

(6) Other receivables that are written off in current year

Other receivables written off in current year amounted to 1,295,238,000 (2016: 8,866,000).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(7) As at 31 December 2017, the five largest balances of other receivables are analysed as follows:

| | Note | Nature | Book
balance | Aging | % of total
balance | Provision
for
doubtful
debt |
|---|------|-----------------------------------|------------------|---------------|-----------------------|--------------------------------------|
| Tianjin Lanshui Offshore Engineering Limited Partnership ("Tianjin Lanshui") | (i) | Receivables from capital increase | 3,575,000 | 1 to 2 years | 41.30% | – |
| Zhenjiang CIMC Embellish Yu Real Estate Co., Ltd ("Embellish Yu Real Estate") | (ii) | Receivables from Associates | 331,250 | 1 to 2 years | 3.83% | – |
| Changjiang Securities Co., Ltd. | | Bond pledge reverse repurchase | 204,330 | within 1 year | 2.36% | – |
| Shenzhen Fengchao Technology Co., Ltd. | | Equity transfer receivables | 126,743 | within 1 year | 1.46% | – |
| Chuangjin Hexin Fund Management Co., Ltd. | | Bond pledge reverse repurchase | 119,970 | within 1 year | 1.39% | – |
| Total | | | 4,357,293 | | 50.34% | – |

As at 31 December 2016, the total amount of the Group's five largest other receivables amounted to 7,130,634,000, accounting for 65.25% of the total balance.

- (i) As at 23 December 2016, Qianhai leasing and TianJin YongWang and TianJin BlueWater signed capital increase agreement and industrial and commercial registration was changed on 28 December 2016. As at 31 December 2017, there was still 3.575 billion that has not received. According to the contract, after the date of capital increase, TianJin BlueWater should guarantee there will be an annual expected earning yields of no less than 4.9853% from 2017 to 2019 which will be paid from the year of 2018. After assessment, the dividend policy was confirmed as other non-current liability with total amount of 487,632,000 while the difference of total capital increase and other non-current liability mentioned above was recorded as equity.
- (ii) As at 14 October, 2016, 80% shares of Embellish Yu Real Estate, the wholly-owned subsidiary of the Group, was transferred to Nanjing Gaochun Country Garden Real Estate Development Co., Ltd (referred to as "Country Garden") by the Group and the industrial and commercial registration was changed then. The inter-group fund lending from the Group to Embellish Yu Real Estate was turned into related party fund lending from the Group to Country Garden. As of December 31, 2017, the amount of RMB331,250,000 had not been recovered.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

- (8) Other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

As at 31 December 2017 and 31 December 2016, no amount due from shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of other receivables.

- (9) As at 31 December 2017, other receivables from related parties are analysed as follows:

| Company name | Relationship with the Group | 31 December 2017 | | | | 31 December 2016 | | | |
|--|---------------------------------------|------------------|--------------------|--------------------|------------------------------|------------------|--------------------|--------------------|------------------------------|
| | | Amount | Nature | % of total balance | Provision for doubtful debts | Amount | Nature | % of total balance | Provision for doubtful debts |
| Embellish Yu Real Estate | Associate | 331,250 | Funding | 3.83% | – | 824,391 | Funding | 7.54% | – |
| Shenzhen China Merchants Real Estate Holding Co., Ltd | Subsidiary of significant shareholder | 70,650 | Transfer of equity | 0.82% | – | 70,650 | Transfer of equity | 0.65% | – |
| Shanghai Fengyang Real Estate Development Co., Ltd. (Shanghai Fengyang) | Associate | 34,204 | Funding | 0.40% | – | 34,204 | Funding | 0.31% | – |
| Nantong Xinyang Environmental Protection Panel Co., Ltd. Company ("Nantong Xinyang") | Associate | 13,813 | Funding | 0.16% | – | 10,629 | Funding | 0.10% | – |
| Other related parties | | 19,328 | | 0.22% | – | 6,270 | | 0.06% | – |
| Total | | 469,245 | | 5.43% | – | 946,144 | | 8.66% | – |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advances to suppliers

(1) Advances to suppliers analysed by categories are as follows:

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Raw material (including equipments for ship under construction) | 2,382,879 | 2,313,829 |
| Cost of ship under construction | 311 | 553 |
| Others | 46,948 | 78,567 |
| Sub-total | 2,430,138 | 2,392,949 |
| Less: provision for doubtful debts | (282,417) | (226,967) |
| Total | 2,147,721 | 2,165,982 |

(2) Aging analysis of advances to suppliers is as follows:

| | 31 December 2017 | | 31 December 2016 | |
|------------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Amount | % of total
balance | Amount | % of total
balance |
| Within 1 year (inclusive) | 1,392,338 | 57.29% | 1,201,088 | 50.19% |
| 1 to 2 years (inclusive) | 111,465 | 4.59% | 285,595 | 11.94% |
| 2 to 3 years (inclusive) | 197,438 | 8.12% | 619,004 | 25.87% |
| Over 3 years | 728,897 | 30.00% | 287,262 | 12.00% |
| Sub-total | 2,430,138 | 100.00% | 2,392,949 | 100.00% |
| Less: provision for doubtful debts | (282,417) | 11.62% | (226,967) | 9.48% |
| Total | 2,147,721 | 88.38% | 2,165,982 | 90.52% |

The aging is calculated from the date that advances to suppliers is recognised.

Other advances to suppliers aged over a year mainly represented prepayment of raw materials and equipment for Offshore business engineering projects by the Group. Since the production cycle of the offshore engineering project is usually more than one year, the prepayment has not yet been settled.

(3) As at 31 December 2017, the five largest balances of advances to suppliers are analysed as follows, accumulated by arrearage parties:

| | Amount | % of
total balance |
|---|---------|-----------------------|
| Total of the five largest advances to suppliers | 891,767 | 36.70% |

As of December 31, 2016, the total amount of the top five prepayments of the Group was amounted of 969,601,000, which accounted 40.52% of the total prepayments.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advances to suppliers (Continued)

- (4) The condition of the companies whose shareholders hold 5% (including 5%) or more of the voting shares of the Company in the prepayments at the end of the year.

As at 31 December 2017 and 31 December 2016, there is no advances to suppliers to those company, shareholders of which hold more than 5% (including 5%) of the voting rights of the Company.

- (5) Advances to suppliers to related parties are analysed as follows:

| Company name | Relationship with the Group | 31 December 2017 | | | 31 December 2016 | | |
|--|--|------------------|--------------------|------------------------------|------------------|--------------------|------------------------------|
| | | Amount | % of total balance | Provision for doubtful debts | Amount | % of total balance | Provision for doubtful debts |
| Jiangsu Baojing Auto Parts Co., Ltd. ("Jiangsu Baojing") | Associate | 8,000 | 0.33% | - | - | - | - |
| Shaanxi Heavy Truck | Minor shareholders of the Group's subsidiaries | 3,922 | 0.16% | - | 3,005 | 0.13% | - |
| TSC Group Holdings Limited ("TSC") | Associate | 41 | 0.00% | - | 19,274 | 0.81% | - |
| Other related parties | | - | - | - | 1,045 | 0.04% | - |
| Total | | 11,963 | 0.49% | - | 23,324 | 0.98% | - |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Inventories are summarised by categories as follows:

| | 31 December 2017 | | | 31 December 2016 | | |
|--|-------------------|---|-------------------|-------------------|---|-------------------|
| | Book balance | Provision for decline in the value of inventories | Net book value | Book balance | Provision for decline in the value of inventories | Net book value |
| Raw materials | 3,971,003 | (193,787) | 3,777,216 | 3,252,604 | (163,944) | 3,088,660 |
| Work in progress | 3,001,600 | (11,537) | 2,990,063 | 2,223,924 | (27,978) | 2,195,946 |
| Finished goods | 4,485,352 | (108,174) | 4,377,178 | 3,713,285 | (125,107) | 3,588,178 |
| Consignment stocks | 240,432 | (184) | 240,248 | 113,302 | (242) | 113,060 |
| Spare parts | 204,266 | (7,700) | 196,566 | 213,712 | (1,538) | 212,174 |
| Low-valued consumables | 30,433 | (164) | 30,269 | 35,951 | (72) | 35,879 |
| Materials in transit | 38,228 | – | 38,228 | 22,887 | – | 22,887 |
| Completed properties held for sale | 824,295 | (14,900) | 809,395 | 852,395 | – | 852,395 |
| Properties under development | 1,211,786 | (4,992) | 1,206,794 | 1,400,761 | – | 1,400,761 |
| Offshore engineering equipment | 4,540,022 | (207) | 4,539,815 | 4,658,377 | (123) | 4,658,254 |
| Amount due from customer for contract work (4) | 1,085,269 | (32,714) | 1,052,555 | 1,241,321 | – | 1,241,321 |
| Total | 19,632,686 | (374,359) | 19,258,327 | 17,728,519 | (319,004) | 17,409,515 |

As at 31 December 2017, the Group's closing balances of inventories included capitalised borrowing cost amounting to 143,787,000 (31 December 2016: 187,359,000). The interest rate per annum at which the borrowing costs were capitalised was 3.85% (2016: 3.16%).

As at 31 December 2017, there is no restricted inventories (31 December 2016: Nil).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Analysis of book balance movement of inventories for the year is as follows:

| | 31 December
2016 | Increase in
current year | Decrease in
current year | 31 December
2017 |
|--|---------------------|-----------------------------|-----------------------------|---------------------|
| Raw materials | 3,252,604 | 53,176,247 | (52,457,848) | 3,971,003 |
| Work in progress | 2,223,924 | 42,305,344 | (41,527,668) | 3,001,600 |
| Finished goods | 3,713,285 | 63,308,678 | (62,536,611) | 4,485,352 |
| Consignment stocks | 113,302 | 2,958,416 | (2,831,286) | 240,432 |
| Spare parts | 213,712 | 431,631 | (441,077) | 204,266 |
| Low-valued consumables | 35,951 | 282,070 | (287,588) | 30,433 |
| Materials in transit | 22,887 | 62,459 | (47,118) | 38,228 |
| Completed properties held for sale | 852,395 | 671,795 | (699,895) | 824,295 |
| Properties under development | 1,400,761 | 652,515 | (841,490) | 1,211,786 |
| Offshore engineering equipment | 4,658,377 | 7,284,484 | (7,402,839) | 4,540,022 |
| Amount due from customer for contract work | 1,241,321 | 16,434,036 | (16,590,088) | 1,085,269 |
| Total | 17,728,519 | 187,567,675 | (185,663,508) | 19,632,686 |

(3) Provision for decline in the value of inventories are as follows:

| Category | 31 December
2016 | Increase in
current year
Increase | Decrease in current year | | Exchange
Differences
arising from
translating
foreign
operations | 31 December
2017 |
|--|---------------------|---|--------------------------|------------------|---|---------------------|
| | | | Reversal | Write-off | | |
| Raw materials | 163,944 | 95,418 | (40,757) | (24,999) | 181 | 193,787 |
| Work in progress | 27,978 | 7,343 | (22,108) | (2,299) | 623 | 11,537 |
| Finished goods | 125,107 | 85,659 | (11,162) | (91,866) | 436 | 108,174 |
| Consignment stocks | 242 | - | (58) | - | - | 184 |
| Spare parts | 1,538 | 7,636 | (1,576) | - | 102 | 7,700 |
| Low-valued consumables | 72 | 115 | (24) | - | 1 | 164 |
| Real estate completed
development products | - | 14,900 | - | - | - | 14,900 |
| Real estate under construction
development products | - | 4,992 | - | - | - | 4,992 |
| Offshore engineering
equipment | 123 | 100 | - | (7) | (9) | 207 |
| Amount due from customer
for contract work | - | 33,454 | - | - | (740) | 32,714 |
| Total | 319,004 | 249,617 | (75,685) | (119,171) | 594 | 374,359 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(3) Provision for decline in the value of inventories are as follows (continued):

- (a) The provision for decline in value of the Group's inventories during the year was recognised mainly for the price drop of certain products and the slow-moving or waste materials.

Written off/reversal of provision for decline in value of the Group's inventories during the year is as follows:

| Category | Basis for provision | Reason for reversal/write-off |
|---|---|--|
| Raw materials | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Work in progress | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Finished goods | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Outside processing materials | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Spare parts | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Consignment stocks | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Real estate completed development products | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Real estate under construction development products | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Offshore engineering equipment | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |
| Amount due from customer for contract work | The net realisable value is lower than the net book value | Increase in net realisable value/usage or sales of inventories |

(4) Amount due from customer for contract work

| | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| Aggregate contract costs incurred and profit recognised to date
(Less foreseeable losses) | 10,263,318 | 6,293,908 |
| Less: progress billings received and receivable | (9,290,348) | (5,131,718) |
| | 972,970 | 1,162,190 |
| Including: | | |
| Construction work-in-progress in excess of progress billings | 1,085,269 | 1,241,321 |
| Progress billings in excess of construction work-in-progress | (112,299) | (79,131) |
| | 972,970 | 1,162,190 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Assets and liabilities held for sale

| | 31 December 2017 | | |
|-----------------------------|---|--|-----------------|
| | Carrying amount immediately before the classification | Provision for impairment of assets held for sale | Carrying amount |
| Assets held for sale – | | | |
| Cash at bank and on hand | 106 | – | 106 |
| Investment properties | 26,401 | – | 26,401 |
| Fixed assets | 91,825 | – | 91,825 |
| Construction in progress | 14,312 | – | 14,312 |
| Intangible assets | 102,665 | – | 102,665 |
| Total | 235,309 | – | 235,309 |
| Liabilities held for sale – | | | |
| Other payables | 14,906 | | 14,906 |
| Total | 14,906 | | 14,906 |

The Group decided to sell Beijing CIMC Vehicle Logistics Equipment Co., Ltd. (“Beijing Vehicle”) in the operating segment of Road transport vehicles due to changes in its production and operation plans. On November 20, 2017, the Board of Directors approved the vehicle group and Beijing Dejun Real Estate Co., Ltd. signed a transfer agreement to transfer the entire equity of Beijing Vehicle held by Vehicle Group to Beijing Dejun Real Estate Co., Ltd. The transfer price of the agreement was RMB42,282,000. The equity transfer transaction is expected to be completed within 2018. The assets and liabilities of the above-mentioned subsidiaries to be transferred are eligible to be held for sale, and are separately presented in the current assets and current liabilities of the balance sheet. Please refer to Note X IV. 6(2) for the fair value of the assets held for sale above.

As of December 31, 2017, the balance of other comprehensive income related to the above-mentioned subsidiaries to be disposed of was RMB4,900,000.

| | 31 December 2016 | | |
|-----------------------|------------------|----------------|-------------------------|
| | Book value | Fair value | Expected disposal costs |
| Investment properties | 26,401 | 26,401 | – |
| Fixed assets | 92,269 | 115,743 | 6,768 |
| Intangible assets | 85,177 | 97,563 | 4,614 |
| Total | 203,847 | 239,707 | 11,382 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Current portion of non-current assets (Continued)

As at 31 December 2017, the balance of the long-term receivables from related parties due within one year of the Group was 128,736,000 (31 December 2016: 108,990,000).

| Company Name | Relationship | 31 December
2017 | 31 December
2016 |
|--|---------------|---------------------|---------------------|
| LiHua gas storage and transportation Co., Ltd.
("LiHua Energy") | Associate | 77,192 | 90,752 |
| NingXia Changming | Associate | 21,045 | – |
| Y&C Engine Co., Ltd ("Y&C Engine") | Joint Venture | 15,488 | 18,238 |
| Zhongyi Xinwei | Associate | 11,273 | – |
| New Horizon Shipping UG | Joint Venture | 3,738 | – |
| Total | | 128,736 | 108,990 |

Current portion of non-current assets are summarised by categories as follows:

| | 31 December 2017 | | | | 31 December 2016 | | | |
|--|------------------|-----------------------|-------------------------|-----------------------|------------------|-----------------------|-------------------------|-----------------------|
| | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | Amount | % of total
balance | Amount | % of total
balance | Amount | % of total
balance | Amount | % of total
balance |
| Current portion of non-current assets with individually significant values and independent provision for bad debts | 836,045 | 16.74% | 418,612 | 50.07% | 143,170 | 3.37% | 49,775 | 34.77% |
| Current portion of non-current assets with combined provision for bad debts* | 4,158,191 | 83.26% | 261,374 | 6.29% | 4,105,713 | 96.63% | 257,419 | 6.27% |
| Total | 4,994,236 | 100.00% | 679,986 | 13.62% | 4,248,883 | 100.00% | 307,194 | 7.23% |

Note*: This category includes non-current assets due within one year that are free of impairment in individual test

10. Other current assets

| | 31 December
2017 | 31 December
2016 |
|--|---------------------|---------------------|
| Tax deductible/withheld | 753,612 | 656,847 |
| Available-for-sale financial assets (Note IV.11) | 408,000 | – |
| Others | 36,684 | 45,631 |
| Total | 1,198,296 | 702,478 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets

| | 31 December
2017 | 31 December
2016 |
|--|---------------------|---------------------|
| Measured at fair value | | |
| – Available-for-sale equity instruments – Listed | 3,995 | 2,441 |
| – Trust plan | 408,000 | – |
| – Bonds | 28,661 | 30,803 |
| Measured at historical cost | | |
| – Available-for-sale equity instruments (1) – Unlisted | 411,980 | 412,240 |
| – Others | 10 | 307 |
| Less: provision for impairment | (3,065) | (3,065) |
| Available-for-sale financial assets listed in other current assets
(Note IV.10) | (408,000) | – |
| | 441,581 | 442,726 |

- (1) Because the equity investments of these companies have no quoted price in active market and their fair value cannot be reliably measured, such investments are stated at cost less any impairment losses.


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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets (Continued)

(2) Detailed information of the available-for-sale financial assets: (Continued)

Available-for-sale equity instruments measured at historical cost:



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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

| | 31 December
2017 | 31 December
2016 |
|-----------------------------------|---------------------|---------------------|
| Finance leases receivable | 20,223,046 | 21,814,831 |
| Less: unrealised financing income | (7,514,064) | (8,593,181) |
| Finance leases receivable-net | 12,708,982 | 13,221,650 |
| Sales of goods by instalments | 83,048 | 325,592 |
| Others | 273,516 | 158,052 |
| Sub-total | 13,065,546 | 13,705,294 |
| Less: provision for impairment | (185,006) | (485,052) |
| Total | 12,880,540 | 13,220,242 |

At at 31 December 2017, there is no long-term receivables due from shareholders holding more than 5% (inclusive) of the voting rights of the company or related parties. (31 December 2016: Nil)

The total future minimum lease receipts under finance leases after the balance sheet date, 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), are receivables as follows:

| | 31 December
2017 | 31 December
2016 |
|---------------------------------|---------------------|---------------------|
| Minimum lease receipts | | |
| Within 1 year (inclusive) | 6,260,716 | 5,467,492 |
| 1 and 2 years (inclusive) | 3,240,272 | 3,608,636 |
| 2 and 3 years (inclusive) | 2,254,953 | 2,261,810 |
| Over 3 years | 14,727,821 | 15,944,385 |
| Sub-total | 26,483,762 | 27,282,323 |
| Less: unrealised finance income | (8,813,914) | (9,845,686) |
| Total | 17,669,848 | 17,436,637 |

As at 31 December 2017, the long-term receivables derecognised due to transferring of financial assets in current year amounted 526,780,000 (31 December 2016: 1,255,723,000):

| | The
derecognised
amount | The income
from
derecognition |
|---------------------------|-------------------------------|-------------------------------------|
| Finance lease receivables | 526,780 | 11,719 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (Continued)

The analysis of long-term receivables due from related parties is as follows:

| Company name | Relationship with the Group | 31 December 2017 | 31 December 2016 |
|-------------------------|-----------------------------|------------------|------------------|
| New Horizon Shipping UG | Joint Venture | 138,335 | – |
| LiHua Energy | Associate | 63,873 | 75,484 |
| Y&C Engine | Joint Venture | 16,326 | 31,814 |
| Ningxia Huaming | Associate | 3,661 | – |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Long-term equity investments in joint ventures:

| | 31 December
2016 | Movement in current year | | | | | 31 December
2017 | Provision for
impairment | |
|--|---------------------|--|---|---|-----------------------------|------------------------------|---------------------|-----------------------------|---|
| | | Increase/
Decrease in
investment | Net profit
or loss
adjusted by
equity method | Adjustment
of other
Comprehensive
income | Other
equity
movement | Cash
dividend
declared | | | Change in
foreign
exchange
rates |
| Guangxi Southern CIMC Logistics Equipment Manufacturing Co., Ltd. ("Guangxi Southern Logistics") | 36,294 | - | 9,034 | - | - | - | 45,328 | - | |
| Supercool (Shanghai) Refrigeration Equipment Co. Ltd | 2,171 | - | (357) | - | - | - | 1,814 | - | |
| Shanghai Shenyi Special Vehicle Parts Co., Ltd | 11,340 | - | 457 | - | - | (665) | 11,132 | - | |
| NKY Zhenhua | 75,432 | - | 145 | - | - | (9,443) | 66,134 | - | |
| Kawasaki Zhenghua logistics (Tianjin) Co. Ltd. | 22,330 | - | 2,781 | - | - | - | 25,111 | - | |
| Qingdao Jiefeng Baijian Container Maintenance Co., Ltd. | 14,531 | 1,693 | 3,435 | - | - | (4,113) | 15,060 | - | |
| Dalian Jilong&Baijian Logistics Co., Ltd. | 5,678 | - | 866 | - | - | (1,000) | 5,200 | - | |
| Shanghai Baijian Dewei Container Maintenance Co., Ltd. | 23,888 | 3,648 | 4,606 | - | - | - | 30,925 | - | |
| Tianjin Jinshi Baijian Container Maintenance Co., Ltd. | 7,933 | - | 1,598 | - | - | (1,826) | 7,226 | - | |
| Y&C Engine | 195,777 | - | 16,999 | - | - | - | 212,776 | - | |
| Shenzhen Cimc Mobile International Service Co., Ltd | 1,630 | - | (1,552) | - | - | - | 78 | - | |
| Ningbo Meishan Bonded Port Area Chuangzhi Lian-cheng Investment Management Partnership | 50,100 | 3,000 | (1,027) | - | - | - | 52,073 | - | |
| Hangzhou Xinwei Investment Management Partnership | 20,100 | 1,200 | (217) | - | - | - | 21,083 | - | |
| New Horizon Shipping UG | 33,287 | - | - | - | - | (1,915) | 31,372 | - | |
| Hangzhou Xinwei Investment Management Partnership | 10 | (10) | - | - | - | - | - | - | |
| Total | 500,501 | 9,531 | 36,768 | - | - | (16,382) | (5,106) | 525,312 | - |

Refer to Note VI.2 for equity in joint ventures

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(3) Long-term equity investments in joint ventures

| | 31 December
2016 | Movement in current year | | | | | | | 31 December
2017 | Provision for
impairment |
|---|---------------------|--|---|---|--------------------------|------------------------------|---|---|---------------------|-----------------------------|
| | | Increase/
Decrease in
investment | Net profit or
loss adjusted
by equity
method | Adjustment of
other
Comprehensive
income | Other equity
movement | Cash
dividend
declared | Change in
foreign
exchange
rates | Recognised
impairment
provision
Others | | |
| Xinyang Wood Hong Kong
Co., Ltd. ("XYW") | 7,071 | - | - | - | - | - | 895 | - | 7,966 | - |
| Ningbo Beilun Donghua
Container Service Co., Ltd. | 1,200 | (1,200) | - | - | - | - | - | - | - | - |
| Xiamen CIMC Haitou
Container Service Co., Ltd. | 23,350 | - | 2,299 | - | - | (2,043) | (372) | - | 23,234 | - |
| Dalian Jilong Logistics Co., Ltd. | 47,615 | - | 1,922 | - | - | - | (1,490) | - | 48,047 | - |
| Senju (Jiangmen) Technology
Material Co., Ltd. | 45,684 | - | 1,014 | - | - | (2,632) | - | - | 44,066 | - |
| Eurotank Oy | 8,374 | - | 2,021 | - | - | - | (1,524) | - | 8,871 | - |
| Shanghai Fengyang | 104,191 | - | 7,242 | - | - | - | - | - | 111,433 | - |
| TSC | 212,905 | - | (6,614) | - | - | - | (13,225) | - | 193,066 | - |
| MSC | 2 | - | - | - | - | - | - | - | 2 | (2) |
| Tianzhu (Shanghai)
International Freight
Agency Co., Ltd. | 1,900 | - | 93 | - | - | (216) | - | - | 1,777 | - |
| LiHua Energy | 102,176 | - | 7,407 | - | 2,647 | - | - | - | 112,230 | - |
| Jiangsu Ruicheng Machinery
Co., Ltd ("Jiangsu Ruicheng") | 28,123 | - | 5,333 | - | - | - | - | - | 33,456 | - |
| Jiuquan Enric Kunlun
Cryogenic Machinery
Co., Ltd. | 2,608 | - | - | - | - | - | - | - | 2,608 | - |
| Optton Inc (Shanghai) | 16,589 | - | (167) | - | - | - | - | - | 16,422 | - |
| Xuzhou CIMC Wood Co., Ltd
("Xuzhou CIMC Wood") | 27,519 | - | 792 | - | - | - | - | - | 28,311 | - |
| Tianjin Shounong Dongjiang
Animal Husbandry Co., Ltd. | 30,436 | - | (4,760) | - | 107 | - | - | - | 25,783 | - |
| Qingdao Port International
Trade and Logistics Co., Ltd. | 43,400 | - | 1,751 | - | - | - | - | - | 45,151 | - |
| ZPMC-Red Box Energy
Services Limited | 14,567 | - | (14,567) | - | - | - | - | - | - | - |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(3) Long-term equity investments in joint ventures (Continued):

| | 31 December 2016 | Movement in current year | | | | | | | | 31 December 2017 | Provision for impairment |
|--|------------------|---------------------------------|--|--|-----------------------|------------------------|----------------------------------|---------------------------------|--------|------------------|--------------------------|
| | | Increase/Decrease in investment | Net profit or loss adjusted by equity method | Adjustment of Other comprehensive income | Other equity movement | Cash dividend declared | Change in foreign exchange rates | Recognised impairment provision | Others | | |
| Tianjin Shouong Import & Export Trading Co. Ltd. | 21,110 | - | - | - | - | - | - | - | - | 21,110 | - |
| Jiahua Shipping Co., Ltd. ("Jiahua Shipping") | 126,454 | - | - | - | - | - | (7,208) | - | - | 119,246 | - |
| Xindu Freight Co., Ltd. | 688 | - | 444 | - | - | - | - | - | - | 1,132 | - |
| Chifeng Lvtianyuan Farm Co., Ltd. | 6,296 | - | - | - | - | - | - | - | - | 6,296 | - |
| CIMC Arabia Factory Company Limited | 5,227 | - | (2,256) | - | - | - | - | - | - | 2,971 | - |
| Shanghai Xiangtou Auto parts Co., Ltd. | 679 | (600) | (79) | - | - | - | - | - | - | - | - |
| North searigas ltd | 14,633 | (1,852) | - | - | - | - | - | - | - | 12,781 | - |
| Ningxia Changming Chengdu To Communication Equipment Co., Ltd | 18,331 | - | (41) | - | - | - | - | - | - | 18,290 | - |
| Shenzhen Road Network Technology Co., Ltd (Shenzhen Road Network) | 2,637 | - | (411) | - | - | - | - | - | - | 2,226 | - |
| Beijing Boxcool Exhibition Co., Ltd. | 7,407 | 2,000 | (1,177) | - | - | - | - | - | - | 8,230 | - |
| Guangzhou C-H Control Technology Co., Ltd. | 12,423 | - | 670 | - | - | - | - | - | - | 13,093 | - |
| China Fire Safety Enterprise Group Limited ("China Fire Safety") | 23,829 | - | 2,494 | - | - | - | - | - | - | 26,323 | - |
| Shanghai Tanklink Supply Chain Technology Development Co., Ltd | 485,275 | - | (2,109) | 16,448 | - | - | 33,149 | - | - | 532,763 | - |
| Zhejiang Xinlong Bamboo Industry Co., Ltd | 2,000 | - | (245) | - | - | - | - | - | - | 1,755 | - |
| Ningguo Guangshen Bamboo Products Co., Ltd ("Ningguo Guangshen") | 14,447 | - | (1,297) | - | - | - | - | - | - | 13,150 | - |
| Fujian Qingchen Bamboo Industry Co., Ltd. ("Qingchen bamboo industry") | 662 | - | 405 | - | - | - | - | - | - | 1,067 | - |
| UC Storage LLC | 2,448 | - | 540 | - | - | - | - | - | - | 2,988 | - |
| Jiangsu Baking Mori (Shanghai) International Trade Co., Ltd. ("Mori Shanghai") | 5,779 | - | - | - | - | - | (39) | - | - | 5,740 | - |
| Shenzhen Cadro Hydraulic Equipment Co., Ltd. ("Cadro Hydraulic") | 23,755 | - | (1,443) | - | - | - | (967) | - | - | 21,345 | - |
| Zhongyi Xinwei | 851 | - | 58 | - | - | - | - | - | - | 909 | - |
| | 17,858 | - | 1,414 | - | - | - | - | - | - | 19,272 | - |
| | 22,648 | - | 1,716 | - | - | - | - | - | - | 24,364 | - |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(3) Long-term equity investments in joint ventures (Continued):

The Group's investment ratios in TSC, LiHua Energy, Jiangsu Ruichen, Optton Inc (Shanghai), ZPMC, Cadro Hydraulic, Zhongyi Xinwei, Henan Yida and Shenzhen Road Network Technology Co., Ltd. are all below 20%. But since the Group has appointed directors to the above mentioned associates, the Group had significant influence over them. Thus, equity investments on these associates were evaluated subsequently by equity method.

As at 31 December 2017, except for Marine Subsea & Consafe, there is no need for the Group to recognise provision for long-term equity investments in joint ventures and associates based on the provision testing result that compared the estimated recoverable amount and book value of long-term equity investments in joint ventures and associates (31 December 2016: Nil).

14. Investment properties

| | Buildings
and relevant
land use rights | Land use rights | Total |
|---|--|-----------------|-----------|
| 1 January 2016 | 730,168 | – | 730,168 |
| Additions | 78,176 | – | 78,176 |
| Changes in fair value | 75,792 | – | 75,792 |
| Transferred from fixed assets | 131,859 | – | 131,859 |
| Transferred from intangible assets | 46,843 | 130,551 | 177,394 |
| Transferred from construction in progress | 786 | – | 786 |
| Revaluation gains upon transfers | 102,062 | 482,772 | 584,834 |
| Transferred out to assets classified as held for sale | (26,401) | – | (26,401) |
| 31 December 2016 | 1,139,285 | 613,323 | 1,752,608 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties (Continued)

| | Buildings
and relevant
land use rights | Land use rights | Total |
|---|--|-----------------|-----------|
| 1 January 2017 | 1,139,285 | 613,323 | 1,752,608 |
| Changes in fair value | 5,344 | – | 5,344 |
| Transferred from fixed assets | 21,120 | – | 21,120 |
| Transferred from inventory | 90,231 | – | 90,231 |
| Transferred from construction in progress | 34,424 | – | 34,424 |
| Revaluation gains upon transfers | 6,681 | – | 6,681 |
| Transferred out to other asset | (26,574) | (150,800) | (177,374) |
| Disposal in this year | (5,045) | (48,800) | (53,845) |
| 31 December 2017 | 1,265,466 | 413,723 | 1,679,189 |

In 2017, capitalised borrowing costs in investment properties is 0 (2016: 1,266,000). The capitalisation rate used to determine the borrowing costs eligible for capitalisation in 2017 is 0% per annum (2016: 4.15% per annum).

In 2017, the impact of changes in fair value of investment properties on the Group's current profit or loss was RMB5,344,000. (2016: RMB75,792,000).

In 2017, the Group disposed of investment properties with a book value of RMB53,845,000 and the disposal income was RMB104,000,000 (2016: Nil).

As at December 31, 2017, the buildings with carrying amount of about 216,849,000 (December 31, 2016: 113,196,000) had not been entitled the property ownership certificates due to unfinished entitling procedures. The certificate is expected to be granted between 2018 and 2019. As at December 31, 2017, the land use right with carrying amount of 208,760,000 has not been entitled the property ownership certificates (December 31, 2016: Nil).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

(1) Fixed assets

| | Plants and buildings | Machinery and equipment | Office and other equipment | Motor vehicles | Offshore engineering equipment | Dock, wharf | Total |
|---------------------------------------|----------------------|-------------------------|----------------------------|----------------|--------------------------------|-------------|------------|
| Original cost | | | | | | | |
| 31 December 2016 | 10,676,684 | 10,112,067 | 1,981,991 | 1,045,215 | 6,783,391 | 1,262,820 | 31,862,168 |
| Additions due to business combination | 569,470 | 104,458 | 19,525 | 117,012 | - | | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(1) Fixed assets (Continued)

As of December 31, 2017, the equipment with book value of about RMB353,331,000 (original price of RMB525,361,000) was pledged as long-term payable RMB500,000,000 (2016: RMB398,144,000). Refer to Note IV. 24 for details.

In 2017, depreciation of fixed assets recognised amounted to 1,794,182,000 (2016: 1,687,106,000), of which 1,490,953,000, 20,483,000 and 282,746,000 (2016: 1,413,938,000, 20,737,000 and 252,431,000) has been charged in cost of sales, selling and distribution expenses, general and administrative expenses, respectively.

In 2017, the original cost of fixed assets transferred from construction in progress is 1,975,332,000 (2016: 1,206,156,000).

(2) Temporarily idle fixed assets

As at 31 December 2017, the carrying amount of temporarily idle buildings, machinery and equipment amounts to 148,018,000 (original cost of 214,983,000) (31 December 2016: carrying amount of 207,894,000 and original cost of 409,415,000). The following table presents the detail:

| | Original cost | Accumulated depreciation | Provision for impairment | Carrying amount |
|--------------------------|---------------|--------------------------|--------------------------|-----------------|
| Plants and buildings | 162,813 | (37,729) | – | 125,084 |
| Machinery and equipment | 51,291 | (28,624) | – | 22,667 |
| Transportation | 42 | (33) | – | 9 |
| Office & other equipment | 837 | (579) | – | 258 |
| | 214,983 | (66,965) | – | 148,018 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(3) Fixed assets held through finance leases :

| | 31 December 2017 | | | 31 December 2016 | | |
|---|------------------|--------------------------|-----------------|------------------|--------------------------|-----------------|
| | Book balance | Accumulated depreciation | Carrying amount | Book balance | Accumulated depreciation | Carrying amount |
| Plants and buildings | – | – | – | 2,626 | (1,875) | 751 |
| Machinery and equipment | 14,779 | (677) | 14,102 | 527,599 | (127,256) | 400,343 |
| Offshore engineering special equipments | 33,031 | (14,377) | 18,654 | 31,113 | (12,187) | 18,926 |
| Total | 47,810 | (15,054) | 32,756 | 561,338 | (141,318) | 420,020 |

The fixed assets held through finance leases mainly consist of machinery and equipment financial leased by Raffles.

(4) Fixed assets with certificates of ownership unsettled

| | Carrying amount | Reason for pending |
|-----------------------|-----------------|---|
| Factory | 359,299 | Put to use, certificate being in the progress |
| Office building | 28,401 | Put to use, certificate being in the progress |
| Workshop | 155,756 | Information updated, being in the progress |
| Dormitory and Canteen | 50,899 | Put to use, certificate being in the progress |
| Warehouse | 97,483 | Under preparation of reporting materials |
| Others | 29,436 | Certificate being in the progress |
| Total | 721,274 | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

(1) Construction in progress

| | 31 December 2017 | | | 31 December 2016 | | |
|---|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Vessels under construction of financing and leasing company | 18,723,948 | – | 18,723,948 | 19,405,489 | – | 19,405,489 |
| Raffles H273, H1284 Project | 2,750,212 | – | 2,750,212 | 2,754,873 | – | 2,754,873 |
| Zhumadian CIMC Hua Jun Lighthouse project | 76,842 | – | 76,842 | – | – | – |
| Financial information system construction project | 54,583 | – | 54,583 | – | – | – |
| Cold Chain Research Institute Project | 50,897 | – | 50,897 | 47,633 | – | 47,633 |
| Dongguan Multimodal Transport building project | 18,030 | – | 18,030 | – | – | – |
| Dongguan Southern CIMC Fenggang project | 15,633 | – | 15,633 | 3,890 | – | 3,890 |
| Enric workshop construction project | 13,678 | – | 13,678 | 88,101 | – | 88,101 |
| Ningbo CIMC Renovation project of water-based paint coating line | 11,522 | – | 11,522 | – | – | – |
| Tianjin CIMC water-based paint coating line | 11,414 | – | 11,414 | – | – | – |
| XHCIMCS Production Line and Power Facilities Reconstruction Project | 5,352 | – | 5,352 | 1,506 | – | 1,506 |
| TCCIMC relocation and reconstruction project | 4,615 | – | 4,615 | 5,400 | – | 5,400 |
| Dongguan CIMC vehicle logistics equipment project | 4,601 | – | 4,601 | 11,497 | – | 11,497 |
| Raffles large scale equipment (including 2000T slewing crane) | 3,178 | – | 3,178 | 3,080 | – | 3,080 |
| C&C Trucks production equipment project | 1,956 | – | 1,956 | 35,218 | – | 35,218 |
| Shenyang Vehicle Garden Industry project | – | – | – | 9,760 | – | 9,760 |
| Chongqing CIMC building construction project | – | – | – | 8,732 | – | 8,732 |
| Refrigerated car project of Anhui United Feicai | – | – | – | 30,583 | – | 30,583 |
| Dormitory construction project of QDCRC | – | – | – | 21,129 | – | 21,129 |
| Second phase of Hebei construction | – | – | – | 12,033 | – | 12,033 |
| TJCMC mid-thick plate and bottom side crossbeam automatic production line | – | – | – | 1,575 | – | 1,575 |
| TAS New Plant Project | – | – | – | 1,498 | – | 1,498 |
| Others | 449,444 | (1,320) | 448,124 | 329,613 | (2,421) | 327,192 |
| Total | 22,195,905 | (1,320) | 22,194,585 | 22,771,610 | (2,421) | 22,769,189 |

The carrying amounts of construction in progress at the end of the year included accumulated capitalised borrowing cost of 1,548,112,000 (31 December 2016: 1,532,714,000). The interest rate adopted for determining capitalised at borrowing cost for the current year was 3.53% (2016: 3.08%).

As at 31 December 2017, there is no restricted construction in progress of the Group (31 December 2016: Nil).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Movement of significant projects of construction in progress during the year

| | Budgeted amount | 31 December 2016 | Current year additions | Transfer to fixed assets | Transfer to investment properties | Transfer to assets held for sale | Transfer to intangible assets | 31 December 2017 | Proportion of expenditures incurred to budgeted amount (%) | Progress of construction | Cumulative capitalised interest | Including: current year capitalised interest | Interest capitalisation rate (%) | Source of funds | Exchange differences arising from translating foreign currencies |
|---|-----------------|------------------|------------------------|--------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------|--|--------------------------|---------------------------------|--|----------------------------------|--------------------------|--|
| Vessels under construction of financing and leasing company | 26,208,671 | 19,405,489 | 1,746,767 | (1,354,373) | - | - | - | 18,723,948 | 92% | 74%-100% | 1,321,150 | 442,055 | 3.47% | Bank loan | (1,073,935) |
| Raffles H273, H1284 Project | 2,794,565 | 2,754,873 | 153,789 | - | - | - | - | 2,750,212 | 98% | 95% | 226,962 | 75,835 | 3.55% | Self-funding & bank loan | (158,450) |
| HJ/CIMC lighthouse project | 120,000 | - | 76,842 | - | - | - | - | 76,842 | 65% | 65% | - | - | - | Self-funding | - |
| Financial Information System Construction Project | 181,160 | - | 54,583 | - | - | - | - | 54,583 | 30% | 35% | - | - | - | Self-funding | - |
| Cold Chain Research Institute Project | 60,000 | 47,633 | 5,185 | - | - | (1,921) | - | 50,897 | 88% | 88% | - | - | - | Self-funding | - |
| Dongguan Municipal Transport Building project | 22,000 | - | 18,030 | - | - | - | - | 18,030 | 82% | 82% | - | - | - | Self-funding | - |
| Dongguan southern CIMC Fenggang project | 20,500 | 3,890 | 11,743 | - | - | - | - | 15,633 | 75% | 70% | - | - | - | Self-funding | - |
| Enric workshop construction project | 270,319 | 88,101 | 15,065 | (11,743) | (8,434) | (6,226) | (6,074) | 187,989 | 69% | 69% | (81,081) | (3,724) | (7%) | Self-funding | (1,191) |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Disposal of fixed assets

| | 31 December
2017 | 31 December
2016 |
|----------------------------|---------------------|---------------------|
| Plants and buildings | 90,505 | 87,015 |
| Machinery and equipment | 55,833 | 42,016 |
| Transportation | 56 | 211 |
| Office and other equipment | 1,267 | 808 |
| Total | 147,661 | 130,050 |

18. Intangible assets and development costs

(1) Intangible assets

| | Land use
rights | Technical
know-how
and trade
marks | Timber
concession
rights | Customer
relationships | Customer
contracts | Maritime
use
rights | Franchise
rights | Total |
|--|--------------------|---|--------------------------------|---------------------------|-----------------------|---------------------------|---------------------|------------------|
| Original cost | | | | | | | | |
| 31 December 2016 | 3,914,000 | 2,004,623 | 250,078 | 400,171 | 285,273 | 94,984 | 111,934 | 7,061,063 |
| Additions due to business combination | 124,041 | 22,967 | - | - | 20,000 | - | - | 167,008 |
| Current year additions | 229,688 | 70,518 | - | 6,672 | 32,729 | 11,636 | - | 351,243 |
| Current year decrease | (130,542) | (55,889) | (100,558) | - | (6,739) | - | - | (293,728) |
| Transferred to assets classified as held for sale | (22,748) | - | - | - | - | - | - | (22,748) |
| Exchange differences arising from translating foreign currencies | 103 | 32,243 | (13,343) | 10,187 | 841 | 5,080 | 53 | 35,164 |
| 31 December 2017 | 4,114,542 | 2,074,462 | 136,177 | 417,030 | 332,104 | 111,700 | 111,987 | 7,298,002 |
| Accumulated amortisation | | | | | | | | |
| 31 December 2016 | 665,789 | 1,086,080 | 129,894 | 151,760 | 159,755 | 28,936 | 8,420 | 2,230,634 |
| Additions due to business combination | 19,219 | 9,687 | - | - | - | - | - | 28,906 |
| Current year additions | 102,536 | 107,001 | - | 72,312 | 47,781 | 2,387 | 3,376 | 335,393 |
| Current year decrease | (33,329) | (46,069) | (91,668) | - | - | - | - | (171,066) |
| Transferred to assets classified as held for sale | (5,260) | - | - | - | - | - | - | (5,260) |
| Exchange differences arising from translating foreign currencies | 61 | 6,142 | (5,716) | 3,605 | 683 | 16 | 53 | 4,844 |
| 31 December 2017 | 749,016 | 1,162,841 | 32,510 | 227,677 | 208,219 | 31,339 | 11,849 | 2,423,451 |
| Provision for impairment | | | | | | | | |
| 31 December 2016 | - | 4,564 | 110,288 | 1,817 | 59,003 | - | - | 175,672 |
| Current year decrease | - | - | - | - | (6,739) | - | - | (6,739) |
| Exchange differences arising from translating foreign currencies | - | 823 | (6,621) | 172 | - | - | - | (5,626) |
| 31 December 2017 | - | 5,387 | 103,667 | 1,989 | 52,264 | - | - | 163,307 |
| Carrying amount | | | | | | | | |
| 31 December 2017 | 3,365,526 | 906,234 | - | 187,364 | 71,621 | 80,361 | 100,138 | 4,711,244 |
| 31 December 2016 | 3,248,211 | 913,979 | 9,896 | 246,594 | 66,515 | 66,048 | 103,514 | 4,654,757 |

In 2017, amortisation expenses of intangible assets amounted to 335,393,000 (2016: 383,811,000).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets and development costs (Continued)

(2) As at 31 December 2017, intangible assets with pending certificates of ownership are as follows:

| | Carrying amount in RMB | Reasons for unsettlement |
|---------------------------------|------------------------|--------------------------|
| SCIMCEL Tangkeng land use right | 55,000 | in the progress |
| C&C Trucks land use right | 43,000 | in the progress |
| SCIMCEL dormitory | 2,000 | in the progress |
| Total | 100,000 | |

After the evaluation of board of directors of the Group, the aforementioned intangible assets with unsettled certificates has no risk of impairment.

(3) As at 31 December 2017, there was no restricted intangible assets (31 December 2016: Nil).

(4) As at 31 December 2017, the intangible asset with indefinite useful lives is Gas station Franchise which amounted to 53,300,000 (31 December 2016: 53,300,000).

(5) Development costs is as follows :

| | 31 December 2016 | Current year addition | Recognised as intangible assets | 31 December 2017 |
|-------------------------------|------------------|-----------------------|---------------------------------|------------------|
| Project on vehicle technology | 43,089 | 57,073 | (52,533) | 47,629 |
| Others | 6,901 | 16,584 | (3,715) | 19,770 |
| | 49,990 | 73,657 | (56,248) | 67,399 |

In 2017, the Group's development costs amounted to 725,386,000 (2016: 563,792,000) : 651,729,000 of which was included in the current profits and losses (2016: 519,440,000), and an amount of 73,657,000 was capitalised as intangible assets in current period (2016: 44,352,000). As at 31 December 2017, intangible assets transferred from development costs within the group accounted for 1.20% (2016: 3.18%) of the total book balance of intangible assets.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill

| | Note | 31 December
2016 | Current year
addition | Current year
decrease | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|-----------------------------------|------|---------------------|--------------------------|--------------------------|---|---------------------|
| Enric | | 630,992 | – | – | (5,602) | 625,390 |
| Vehicles UK | | 336,360 | – | (2,327) | 10,631 | 344,664 |
| TGE SA | | 164,502 | – | – | 5,642 | 170,144 |
| YPDI | | 86,558 | – | – | – | 86,558 |
| Bassoe | | 132,245 | – | – | – | 132,245 |
| Pteris | | 108,196 | – | – | – | 108,196 |
| C & C Trucks | | 132,145 | – | – | – | 132,145 |
| Hashenleng | | 103,530 | – | – | – | 103,530 |
| Others | (1) | 569,673 | 15,097 | – | (2,074) | 582,696 |
| Sub-total | | 2,264,201 | 15,097 | (2,327) | 8,597 | 2,285,568 |
| Less: provision for
impairment | | | | | | |
| C & C Trucks | | 93,330 | – | – | – | 93,330 |
| Hashenleng | | – | 38,000 | – | – | 38,000 |
| Others | | 42,978 | – | – | (1,185) | 41,793 |
| Sub-total | | 136,308 | 38,000 | – | (1,185) | 173,123 |
| Total | | 2,127,893 | (22,903) | (2,327) | 9,782 | 2,112,445 |

- (1) The goodwill increased this year generate from the acquisition of Qingdao Lida Chemical and Qingdao Lida New Rubber & Plastic Products by CIMC Xincai, and the acquisition of Kunshan CIMC by Zhengzhou Logistics Automatic System Co., Ltd.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill (Continued)

(2) Impairment test for asset group including goodwill

The goodwill allocated to the asset groups and combination of asset groups are summarised by operating segments as follows:

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Container asset group | 120,085 | 120,085 |
| Road transportation vehicles asset group | 415,664 | 408,658 |
| Energy and chemical & food equipment asset group | 1,036,235 | 1,074,195 |
| Offshore engineering asset group | 229,460 | 229,397 |
| Logistics services asset group | 120,558 | 120,558 |
| Heavy truck asset group | 38,815 | 38,815 |
| Airport equipment asset group | 121,873 | 108,196 |
| Asset groups with insignificant allocation percentage of goodwill group | 29,755 | 27,989 |
| Total | 2,112,445 | 2,127,893 |

- (3) The recoverable amount of asset group and combination of asset groups is calculated on the basis of 3 to 5 years by the method of estimated cash flow. For cash flow more than 3 to 5 years, it employs the estimated growth rate to do the calculation.

Employ the main assumptions of discounted future cash flow method:

| | Vehicles | | | | | | C & C
Trucks | Hashenleng | Zhengzhou
Logistics |
|-------------------|--------------|--------|--------|--------|--------|---------|-----------------|------------|------------------------|
| | Enric | UK | TGE SA | YPDI | Bassoe | Pteris | | | |
| Growth rate | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Gross profit rate | 18% | 11% | 14% | 18% | 80% | 18%-27% | 20% | 18% | 18% |
| Discount rate | 12.5%-14.63% | 12.35% | 12% | 13.14% | 11.10% | 13.3% | 15.7% | 11.51% | 16% |

The weighted average growth rate employed by the management was in accordance with the estimated rate in the industry report, not exceeding the long term average growth rate of each production. On the basis of historical experience and market development forecast, the management determine the gross profit rate, and employ a discount rate which can reflect the specific risk of asset group and combination of asset groups. The above assumption was used to analyse the recoverable amount of asset groups and combination of asset group of the business segment.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Long-term prepaid expenses

| | 31 December
2016 | Current year
addition | Current year
amortisation | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|---|---------------------|--------------------------|------------------------------|---|---------------------|
| Yard facility expenses | 9,691 | 657 | (2,788) | 52 | 7,612 |
| Project insurance and
commission | 133,924 | 114,806 | (146,205) | 1,199 | 103,724 |
| Improvements to fixed assets
held under operating leases | 9,439 | 10,655 | (3,922) | – | 16,172 |
| Improvement of engineering
vessel | 19,996 | 25,298 | (25,164) | (607) | 19,523 |
| Others | 73,524 | 20,353 | (35,692) | 23 | 58,208 |
| Sub-total | 246,574 | 171,769 | (213,771) | 667 | 205,239 |
| Less: provision for impairment | – | – | – | – | – |
| Total | 246,574 | 171,769 | (213,771) | 667 | 205,239 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities

- (1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences

| | 31 December 2017 | | 31 December 2016 | |
|--|--|--|--|--|
| | Deductible/
(taxable)
temporary
differences | Deferred tax
assets/
(liabilities) | Deductible/
(taxable)
temporary
differences | Deferred tax
assets/
(liabilities) |
| Deferred tax assets: | | | | |
| Provision for asset impairment | 3,015,044 | 710,854 | 1,546,119 | 322,474 |
| Accrued liability | 999,526 | 209,194 | 690,921 | 139,994 |
| Employee benefits payable | 1,750,600 | 381,558 | 1,273,607 | 296,507 |
| Accrued expenses | 555,749 | 120,791 | 493,541 | 89,303 |
| Deductible losses | 2,572,434 | 485,290 | 1,861,895 | 332,307 |
| Movement for fair value of financial assets
at fair value through profit or loss/hedging
instruments | 1,063 | 266 | 27,566 | 6,892 |
| Available-for-sale financial assets | 3,048 | 762 | 14,230 | 2,134 |
| Intra-group unrealised revenue | 18,136 | 4,534 | 18,904 | 4,726 |
| Others | 318,960 | 74,698 | 278,319 | 69,580 |
| Sub-total | 9,234,560 | 1,987,947 | 6,205,102 | 1,263,917 |
| Offsetting amount | (2,285,238) | (571,310) | (25,512) | (6,247) |
| Offsetting balances | 6,949,322 | 1,416,637 | 6,179,590 | 1,257,670 |
| Including: | | | | |
| Amount estimated to reverse within 1 year
(inclusive) | | 443,585 | | 552,415 |
| Amount estimated to reverse over 1 year | | 973,052 | | 705,255 |
| | | 1,416,637 | | 1,257,670 |
| Deferred tax liabilities: | | | | |
| Movement for fair value of financial assets at
fair value through profit or loss | (5,563) | (1,386) | (26,076) | (6,483) |
| Movement for fair value of Investment
properties | (611,525) | (158,100) | (700,853) | (170,909) |
| Revaluation gain through combination | (1,046,962) | (239,756) | (933,696) | (231,947) |
| Debt restructuring income (Note V. 1(2)(b)) | (2,274,744) | (568,686) | - | - |
| Gross profit of overseas projects (pay tax after
completion) | (550,204) | (137,551) | (253,352) | (63,338) |
| Accelerated depreciation of fixed assets | (380,036) | (121,535) | (441,782) | (179,383) |
| Non-resident foreign companies pay dividends
to the Mainland | (262,580) | (65,645) | - | - |
| Others | (234,564) | (79,988) | (46,412) | (11,601) |
| Sub-total | (5,366,178) | (1,372,647) | (2,402,171) | (663,661) |
| Offsetting amount | 2,285,238 | 571,310 | 25,512 | 6,247 |
| Offsetting balances | (3,080,940) | (801,337) | (2,376,659) | (657,414) |
| Including: | | | | |
| Amount estimated to reverse within 1 year
(inclusive) | | (165,263) | | (140,809) |
| Amount estimated to reverse over 1 year | | (636,074) | | (516,605) |
| | | (801,337) | | (657,414) |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities (Continued)

(2) Unrecognised deferred tax assets

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Deductible losses | 1,667,129 | 1,606,035 |
| Impairment losses of SOE | 367,116 | 340,729 |
| Impairment losses of timber Concession rights | 23,053 | 22,119 |
| Others | 23,485 | 3,125 |
| Total | 2,080,783 | 1,972,008 |

(3) Maturity of deductible losses that are not recognised as deferred tax assets:

| | 31 December
2017 | 31 December
2016 | Note |
|--------------|---------------------|---------------------|-------|
| 2017 | – | 1,199,243 | |
| 2018 | 795,581 | 1,086,941 | |
| 2019 | 339,063 | 340,655 | |
| 2020 | 665,680 | 819,702 | Note1 |
| 2021 | 411,238 | 411,238 | |
| After 2021 | 5,629,174 | 3,738,579 | |
| Total | 7,840,736 | 7,596,358 | |

Note 1: By the end of 2016 and 2017, unrecognised deferred tax assets aged over 5 years (inclusive) arising from deductible tax losses resulted from foreign subsidiaries' operating losses. Deductible tax losses generated from Hong Kong, the United States of America, the United Kingdom of Great Britain and Australia can be offset with future profit indefinitely; deductible tax losses generated from the Netherlands can be offset in the subsequent nine years.

As at 31 December 2017, the Group is subject to an income tax on the difference of tax rates if its subsidiaries in Hong Kong and overseas decide to distribute dividends to the shareholders in mainland China. The temporary difference arising from the undistributed profits of such subsidiaries is approximately 3,950,999,000 (31 December 2016: 3,303,113,000). Since the Group can control the dividend distribution policy of its subsidiaries and has decided not to distribute dividends in the foreseeable future, the deferred income tax liabilities on such undistributed profits was not recognised.

The Group had no unrecognised deferred tax liabilities other than the mentioned above.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets

| | 31 December
2017 | 31 December
2016 |
|-------------------------------|---------------------|---------------------|
| Prepayment for construction | 64,094 | 7,429 |
| Prepayment for equipment | 13,516 | 8,695 |
| Prepayment for land use right | 6,956 | 32,235 |
| Entrusted loans | 3,249 | 35,547 |
| Others | 71 | 2,447 |
| Total | 87,886 | 86,353 |

As at 31 December 2017, There is no non-current assets due from shareholders holding more than 5% (inclusive) of the voting rights or related parties. (31 December 2016: Nil).

23. Provision for asset impairment

| | 31 December
2016 | Current
year
addition | Current year decrease | | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|--|---------------------|-----------------------------|-----------------------|--------------------|---|---------------------|
| | | | Reversal | Write-off | | |
| Provision for doubtful debts | | | | | | |
| Including: provision for doubtful debts of accounts receivable | 629,236 | 229,452 | (89,260) | (465) | (11,786) | 757,177 |
| Provision for doubtful debts of other receivables | 1,580,439 | 147,281 | (28,699) | (1,295,238) | (7,240) | 396,543 |
| Provision for doubtful debts of advances to suppliers | 226,967 | 57,228 | (504) | (1,261) | (13) | 282,417 |
| Provision for doubtful debts of long-term receivables (including Non-current assets due within one year) | 792,246 | 138,934 | (15,275) | (48,432) | (2,481) | 864,992 |
| Provision for decline in value of inventories | 319,004 | 249,617 | (75,685) | (119,171) | 594 | 374,359 |
| Provision for impairment of long-term equity investments | 2 | - | - | - | - | 2 |
| Provision for impairment of available-for-sale financial assets | 3,065 | - | - | - | - | 3,065 |
| Provision for impairment of fixed assets | 369,259 | 20,252 | - | (99,681) | 190 | 290,020 |
| Provision for impairment of construction in progress | 2,421 | - | - | (1,101) | - | 1,320 |
| Provision for impairment of intangible assets | 175,672 | - | - | (6,739) | (5,626) | 163,307 |
| Provision for impairment of goodwill | 136,308 | 38,000 | - | - | (1,185) | 173,123 |
| Total | 4,234,619 | 880,764 | (209,423) | (1,572,088) | (27,547) | 3,306,325 |

Please refer to the respective notes of the assets for reasons of the provisions.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Restricted assets

As at 31 December 2017, assets with restrictions in their ownership are as follows:

| | Note | 31 December
2016 | Current year
addition | Current year
decrease | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|----------------------------|-------|---------------------|--------------------------|--------------------------|---|---------------------|
| – Cash at bank and on hand | IV.1 | 987,257 | 424,136 | (57,557) | – | 1,353,836 |
| – Notes receivable | IV.3 | 206,753 | 38,486 | (151,704) | – | 93,535 |
| – Long term receivables | IV.12 | 8,164,729 | 307,977 | (457,683) | – | 8,015,023 |
| – Fix assets | IV.15 | 398,144 | – | (44,813) | – | 353,331 |
| Total | | 9,756,883 | 770,599 | (711,757) | – | 9,815,725 |

Long term receivables are used as collateral for mortgage loan. Notes receivables are used for rediscounting, pledge for letter of guarantee and pledge for pool of notes. Refer to IV.15 for non-current restrictions with restrictions which are used as collateral for long term payables. Refer to Note IV.25 for details of short-term pledged borrowings. The restricted cash at bank and on hand were security deposits, and deposits in the People's Bank of China by Finance Company.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Short-term borrowings

(1) Classification of short-term borrowings:

| | Note | 31 December
2017 | 31 December
2016 |
|-------------------------|------|---------------------|---------------------|
| Guaranteed | (a) | | |
| USD | | 417,560 | 2,938,354 |
| RMB | | 1,506,156 | 937,852 |
| EUR | | 364,490 | 61,487 |
| Sub-total | | 2,288,206 | 3,937,693 |
| Pledged | (b) | | |
| RMB | | 96,987 | 59,902 |
| Unsecured | | | |
| USD | | 10,133,467 | 7,427,465 |
| EUR | | 197,552 | 478,076 |
| RMB | | 2,330,975 | 3,613,782 |
| HKD | | 249,100 | – |
| Others | | – | 48,649 |
| Sub-total | | 12,911,094 | 11,567,972 |
| Discounted notes | | | |
| RMB | | 21,060 | 164,220 |
| Total | | 15,317,347 | 15,729,787 |

- (a) As at 31 December 2017, guaranteed borrowings of the Group consisted of the following: The subsidiary Hongxin Berg secured a guarantee loan of RMB112,000,000 from the subsidiary CIMC financing and leasing; the subsidiary CIMC Raffles was guaranteed by CIMC Raffles Marine Engineering (Singapore) Pte Ltd and Yantai CIMC Raffles Shipyard. Guaranteed borrowings amounted to RMB1,100,294,000 and US\$40,393,000 (equivalent to RMB264,006,000); Subsidiary C&C Trucks provided guaranteed loan of RMB210,000,000 guaranteed by the Company; Subsidiary CIMC financing and leasing Guaranteed loan guaranteed by the Company and CIMC HK RMB3,000,000, USD23,500,000 (equivalent to RMB153,554,000); Guaranteed loan of RMB80,862,000 provided by the company's subsidiary C&C Trucks marketing with guarantee from the Company, EUR46,728,000 (equivalent to RMB364,490,000) from guarantee loan of subsidiary Ziegler's guarantee provided by the Company.
- (b) As at 31 December 2017, the pledged loans of the Group was loans from the People's Bank of China pledged with notes receivables which was applied by the Finance Company, amounting to 48,487,000 and loans of C&C Trucks pledged with Bank acceptance bill from China Merchants Bank Co., Ltd. Wuhu Branch, amounting to 48,500,000.
- (c) As at 31 December 2017, there was no short-term borrowings owed to shareholders holding more than 5% (including 5%) of the voting rights of the Group or related parties.
- (d) As at 31 December 2017, the interest rate of short term borrowing ranged from 1.30% to 6.09% (31 December 2016: 0.65% to 16.41%).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Financial liabilities at fair value through profit or loss

| | Note | 31 December
2017 | 31 December
2016 |
|--|---------|---------------------|---------------------|
| Current | | | |
| 1. Derivative financial liabilities | | | |
| – Forward foreign exchange contracts | IV.2(4) | 241 | 12,022 |
| – Foreign exchange option contracts | IV.2(5) | 819 | – |
| – Currency swap | IV.2(7) | 1,351 | – |
| – Interest rate swap | IV.2(6) | 614 | – |
| 2. Hedging Instrument | | – | 4,244 |
| 3. Contingent consideration in acquisition | | – | 125,540 |
| Sub-total | | 3,025 | 141,806 |
| Non-current | | | |
| 1. Derivative financial liabilities | | | |
| – Interest rate swap | IV.2(6) | – | 3,816 |
| 2. Financial guarantee contracts | | 37,807 | 57,419 |
| Sub-total | | 37,807 | 61,235 |
| Total | | 40,832 | 203,041 |

27. Notes payable

| | 31 December
2017 | 31 December
2016 |
|------------------------|---------------------|---------------------|
| Bank acceptance notes | 1,331,106 | 1,050,745 |
| Trade acceptance notes | 454,350 | 500,837 |
| Total | 1,785,456 | 1,551,582 |

The above notes payable are due within one year.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Accounts payable

(1) The Group's accounts payable is as follows:

| | 31 December
2017 | 31 December
2016 |
|--------------------------------------|---------------------|---------------------|
| Due to raw materials suppliers | 10,124,956 | 8,303,845 |
| Integrated logistics service charges | 559,737 | 461,925 |
| Project contract charges | 341,552 | 259,029 |
| Project procurement charges | 387,357 | 658,048 |
| Due to equipment suppliers | 579,407 | 150,029 |
| Transportation charges | 81,816 | 135,159 |
| Processing charges | 43,661 | 129,178 |
| Others | 97,825 | 63,738 |
| Total | 12,216,311 | 10,160,951 |

The analysis of accounts payable is as follows:

| | 31 December
2017 | 31 December
2016 |
|---------------------------|---------------------|---------------------|
| Within 1 year (inclusive) | 11,538,059 | 9,535,350 |
| 1 to 2 years (inclusive) | 313,282 | 414,188 |
| 2 to 3 years (inclusive) | 157,749 | 153,893 |
| Over 3 years | 207,221 | 57,520 |
| Total | 12,216,311 | 10,160,951 |

As at 31 December 2017, accounts payable over 1 year with a carrying amount of 678,252,000 (31 December 2016: 625,601,000) are mainly payables related to offshore engineering business and energy and chemical business. Since the production cycle of the offshore business engineering project and energy and chemical

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Accounts payable (Continued)

- (2) As at 31 December 2017, there was no accounts payable owed to shareholders holding more than 5% (including 5%) of the voting rights of the Group. Accounts payable owed to related parties are as listed follows:

| Company name | Relationship with the Group | 31 December 2017 | | 31 December 2016 | |
|----------------------------|---------------------------------------|------------------|--------------------|------------------|--------------------|
| | | Amount | % of total balance | Amount | % of total balance |
| Y&C Engine | Joint venture | 45,506 | 0.37% | 66,157 | 0.65% |
| Shaanxi Zhongqi | Minority shareholders of subsidiaries | 20,300 | 0.17% | – | – |
| Qingchen Bamboo | Associates | 17,097 | 0.14% | 8,138 | 0.08% |
| Ningguo guangshen | Associates | 16,999 | 0.14% | – | – |
| Xuzhou CIMC Wood Co., Ltd | Associates | 14,813 | 0.12% | 17,905 | 0.18% |
| Guangxi southern logistics | Joint venture | 8,884 | 0.07% | – | – |
| TSC | Associates | 7,959 | 0.07% | 25,727 | 0.25% |
| Ningxia changming | Associates | 2,931 | 0.02% | – | – |
| Asahi Trading Co.,Ltd | Minority shareholders of subsidiaries | 2,162 | 0.02% | 15,902 | 0.16% |
| Other related parties | | 1,844 | 0.01% | 13,108 | 0.13% |
| Total | | 138,495 | 1.13% | 146,937 | 1.45% |

29. Advances from customers

- (1) Advances from customers

| | 31 December 2017 | 31 December 2016 |
|----------------------------------|------------------|------------------|
| Advances for goods | 4,074,032 | 3,167,715 |
| Advances for property | 282,207 | 208,583 |
| Advances for construction | 168,297 | 155,912 |
| Advances for trade and logistics | 51,218 | 70,508 |
| Others | 48,334 | 177,976 |
| Total | 4,624,088 | 3,780,694 |

As at 31 December 2017, advances from customers over 1 year with a carrying amount of 289,060,000 (31 December 2016: 330,291,000), are mainly rental in advance and project payments related to offshore business engineering business. Since the production cycle of the offshore business engineering project is usually more than one year, the advances from customers have not yet been settled.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Advances from customers (Continued)

- (2) As at 31 December 2017, there is no advances from customers from those who hold 5% or more of the voting rights or related parties. Pre-acquisition of related parties is as follows:

| Company name | Relationship with the Group | 31 December 2017 | | 31 December 2016 | |
|--|--|------------------|--------------------|------------------|--------------------|
| | | Amount | % of total balance | Amount | % of total balance |
| New Horizons Shipping UG Shaanxi Zhongqi | Joint venture
Minority shareholders of subsidiaries | 47,046 | 1.02% | – | – |
| Beijing Bowei Aviation Facilities Management Co., Ltd. ("Beijing Bowei") | Minority shareholders of subsidiaries | 895 | 0.02% | 40 | 0.00% |
| Other related parties | | – | – | 12 | 0.00% |
| | | 2 | 0.00% | – | – |
| Total | | 47,943 | 1.04% | 52 | 0.00% |

30. Employee benefits payable

| | Note | 31 December 2017 | 31 December 2016 |
|----------------------------|------|------------------|------------------|
| Short-term wages | (1) | 2,678,016 | 2,090,125 |
| Defined contribution plans | (2) | 31,862 | 24,156 |
| Dismissal welfare | (3) | 3,604 | 827 |
| | | 2,713,482 | 2,115,108 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Employee benefits payable (Continued)

(1) Short-term wages

| | 31 December
2016 | Current year
addition | Current year
decrease | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|---|---------------------|--------------------------|--------------------------|---|---------------------|
| Wages and salaries, bonuses, allowances and subsidies | 1,699,319 | 5,711,262 | (5,181,633) | 2,210 | 2,231,158 |
| Profit-sharing and senior management bonus | 205,151 | 103,239 | (17,051) | – | 291,339 |
| Housing funds | 6,118 | 227,403 | (208,571) | (99) | 24,851 |
| Labor union funds and employee education funds | 62,236 | 43,526 | (40,978) | (740) | 64,044 |
| Social security contributions and others | 12,517 | 183,995 | (178,953) | – | 17,559 |
| Including: Medical insurance | 9,564 | 152,990 | (149,110) | – | 13,444 |
| Work injury insurance | 1,583 | 19,921 | (19,425) | – | 2,079 |
| Maternity insurance | 1,370 | 11,084 | (10,418) | – | 2,036 |
| Other short-term wages | 104,784 | 687,222 | (743,879) | 938 | 49,065 |
| Total | 2,090,125 | 6,956,647 | (6,371,065) | 2,309 | 2,678,016 |

(2) Defined contribution plans

| | 31 December
2016 | Current year
addition | Current year
decrease | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|------------------------|---------------------|--------------------------|--------------------------|---|---------------------|
| Basic pensions | 21,455 | 432,596 | (426,205) | – | 27,846 |
| Unemployment insurance | 2,554 | 10,381 | (9,125) | – | 3,810 |
| Enterprise annuities | 147 | 2,761 | (2,702) | – | 206 |
| Total | 24,156 | 445,738 | (438,032) | – | 31,862 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Employee benefits payable (Continued)

(3) Dismission welfare

| | 31 December
2017 | 31 December
2016 |
|------------|---------------------|---------------------|
| Others (i) | 3,604 | 827 |

(i) As at 31 December 2017, the Group provide other compensation amounting to 3,604,000 to compensate for the termination of employment relationship.

Salaries, bonuses, allowances and subsidies shall be the Group's performance-related bonuses based on the Group's annual performance assessment plan and results of the Group, except for the amount of wages accrued for current month but to be paid next month. According to the requirement of the performance assessment plan, annual accrued bonus would be paid over three years based on the percentage determined by the management; therefore, there was a balance of such accrued bonus at the end of the year.

Enterprise annuity plan is established to safeguard the employee's standard of living after retirement. Every year, companies pay 3% of the total annual wages, and individuals pay 1% of the base. Employees who meet the conditions can choose to draw 0% to 100% of the annuities all at once or in installments based on their length of service. Besides, the fund is managed by hand, when a loss is reported or under special conditions, the payment can be suspended. There is no need to make a supplementary payment.

Profit-sharing and senior management bonus is determined on the assessment of certain key performance index. The above bonus is proposed by Chief Executive Officer of the Group and the payment is subject to review and approval by board chairman and vice board chairman of the Group. The balance was the unpaid Profit-sharing and senior management bonus accrued in prior years.

31. Taxes payable

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Value-added-tax payable | 186,770 | 209,180 |
| Business tax payable | 6,487 | 8,098 |
| Enterprise income tax payable | 822,993 | 641,098 |
| Withholding individual income tax | 32,777 | 24,180 |
| City maintenance and construction tax payable | 26,230 | 22,517 |
| Educational surcharge payable | 16,385 | 14,824 |
| Land appreciation tax | 184,597 | 92,177 |
| Others | 87,747 | 79,956 |
| Total | 1,363,986 | 1,092,030 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Interest payable

| | Note | 31 December
2017 | 31 December
2016 |
|--|--------|---------------------|---------------------|
| Interest of redemption rights of strategic investors | IV. 43 | 199,980 | 135,990 |
| Interest of short-term borrowings | | 39,082 | 76,730 |
| Interest of corporate bonds | | 86,241 | 70,249 |
| Interest of long-term borrowings | | 52,490 | 20,406 |
| Total | | 377,793 | 303,375 |

33. Dividends payable

| | 31 December
2017 | 31 December
2016 |
|--|---------------------|---------------------|
| Due to minority shareholders of subsidiaries | 254,434 | 16,746 |

34. Other payables

(1) The analysis of the Group's other payables is as follows:

| | Note | 31 December
2017 | 31 December
2016 |
|-------------------------------------|------|---------------------|---------------------|
| Advance received | | 2,272,430 | 1,892,437 |
| Accruals | | 1,881,848 | 1,490,340 |
| Amount due to minority shareholders | (3) | 760,942 | 111,054 |
| Quality guarantees | | 638,480 | 593,210 |
| Transportation expenses | | 314,679 | 315,605 |
| Demolition compensation | | 239,828 | – |
| Equipment or land use rights | | 95,402 | 185,777 |
| External commission | | 65,395 | 73,619 |
| Equity payable on Yangshan services | | 27,517 | 23,200 |
| Insurances | | 20,755 | 12,732 |
| Professional and training fees | | 16,930 | 17,897 |
| Royalties | | 2,063 | 601 |
| Housing maintenance fees | | 280 | 5,456 |
| Others | | 517,992 | 432,145 |
| Total | | 6,854,541 | 5,154,073 |

(2) Significant other payables aged over one year mostly consist of unsettled quality guarantee, vehicle mortgage guarantee and various deposits.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other payables (Continued)

- (3) As at 31 December 2017, there was no other payables owed to shareholders holding more than 5% (including 5%) of the voting rights of the Group. Other payables owed to related parties are as listed follows:

| Company name | Relationship with the Group | 31 December 2017 | | 31 December 2016 | |
|---|------------------------------------|------------------|--------------------|------------------|--------------------|
| | | Amount | % of total balance | Amount | % of total balance |
| Country Garden Real Estate Group Co., Ltd. ("Country Garden Real Estate") | Minority shareholder of subsidiary | 707,143 | 10.32% | - | - |
| Gasfin | Minority shareholder of subsidiary | 51,329 | 0.75% | 46,990 | 0.91% |
| Lihua Energy | Associate | 33,605 | 0.49% | 37,690 | 0.73% |
| Shanghai Fengyang | Associate | 26,390 | 0.39% | 26,390 | 0.51% |
| Y&C Engine | Joint venture | 12,729 | 0.19% | - | - |
| Ningxia Changming | Associate | 11,900 | 0.17% | 11,900 | 0.23% |
| Zhongyi Xinwei | Associate | 3,500 | 0.05% | - | - |
| Xinyang wood | Associate | 3,118 | 0.05% | - | - |
| Inland Services B.V. (Netherlands) | Minority shareholder of subsidiary | 1,757 | 0.03% | 7,270 | 0.14% |
| OOS-International B.V. | Associate | 1,568 | 0.02% | - | - |
| Beijing Bowei | Minority shareholder of subsidiary | 713 | 0.01% | - | - |
| Shunde Fu Ri Real Estate Investment Co., Ltd. ("Fuzhou Shunde") | Minority shareholder of subsidiary | - | - | 56,794 | 1.10% |
| TSC | Associate | - | - | 6,766 | 0.13% |
| Other related parties | | 260 | 0.00% | 11,584 | 0.22% |
| Total | | 854,012 | 12.47% | 205,384 | 3.98% |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Provisions

| | Note | 31 December
2016 | Addition
from
acquisition | Current
year
additions | Current
year
payment | Current
year
reversal | Exchange
differences
arising from
translating
foreign
currencies | 31 December
2017 |
|------------------------------|------|---------------------|---------------------------------|------------------------------|----------------------------|-----------------------------|---|---------------------|
| Product warranties | (1) | 690,574 | 99,997 | 483,364 | (117,117) | (229,025) | (10,378) | 917,415 |
| Loss of pending actions | | 43,490 | – | 107,948 | – | (3,963) | (2,327) | 145,148 |
| Relocation compensation | | – | – | 131,625 | – | – | – | 131,625 |
| Guarantees for third parties | (2) | 79,104 | – | – | (79,104) | – | – | – |
| Others | (3) | 34,261 | – | 9,337 | (23,000) | (2,474) | 2,592 | 20,716 |
| Total | | 847,429 | 99,997 | 732,274 | (219,221) | (235,462) | (10,113) | 1,214,904 |

- (1) The Group provides after-sales repair warranty to the customers, ranging from two to seven years for containers, one year for trailers, one to seven years for tank equipments, one to two years for airport ground facilities and one year for offshore business after delivery of vessels. The Group will provide repair and maintenance services in accordance with sales contracts during the warranty period in the event of any non-accidental breakdown or quality problems. The balance of "Provisions – Warranties for product quality" represents the Group's estimated obligation for such warranties of products sold out during the year and in the previous fiscal years.
- (2) As at 5 August 2016, The People's Court of Qidong City, Jiangsu Province made (2016) Su 0681 Min Po 10 "civil ruling", to make SOE officially enter the bankruptcy liquidation procedures. On SOE's First Creditors Conference meeting held on 19 November 2016, the Company was informed that the steel suppliers such as Shanxi TISCO Stainless Steel Co., Ltd., Anshan Iron & Steel Co., Ltd. and Shanghai Baosteel Pudong International Trade Co., Ltd. have declared creditor's rights amounted to a total of 98,880,000, and proposed CIMC Group has the guarantor's obligation to repay on behalf of SOE. Although all declared claims are in the recognizing procedure by the insolvency representative, the Company, for the sake of prudence, has recorded contingent liability at the amount of 79,104,000, representing 80% of claims in the 2016 financial report, in accordance with the latest financial situation of SOE and its future solvency and other liquidity. As of December 31, 2017, the amount was fully paid and the obligation for compensation has been settled.
- (3) HI, one of the subsidiaries, provides the guarantee for the banking loans by which the customers buy vehicle products from HI. HI would

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Current portion of non-current liabilities

The Group's current portion of non-current liabilities are analysed by categories as follows:

| | Note | 31 December
2017 | 31 December
2016 |
|---|-------|---------------------|---------------------|
| Current portion of long-term borrowings | IV.38 | | |
| – Unsecured | | 2,134,980 | 3,401,313 |
| – Mortgaged | | 1,476,028 | – |
| – Guaranteed | | 371,618 | 124,397 |
| | | 3,982,626 | 3,525,710 |
| Current portion of long-term payables | | | |
| Finance lease payable | | 107,388 | 136,571 |
| Less: unrealised financing expense | | (14,034) | (15,826) |
| Finance lease payable-net | IV.40 | 93,354 | 120,745 |
| Others | | 7,255 | 17,567 |
| | | 100,609 | 138,312 |
| Others | | 2,344 | 3,850 |
| Total | | 4,085,579 | 3,667,872 |

37. Other current liabilities

| | Note | 31 December
2017 | 31 December
2016 |
|--------------------------------------|------|---------------------|---------------------|
| Commercial paper issued by the Group | (1) | 588,235 | 1,666,966 |
| Others | | 7,672 | 20,796 |
| | | 595,907 | 1,687,762 |

- (1) The Commercial paper was issued by CIMC Fortune Holdings Limited ("Fortune"), the subsidiaries of the Group. As at 20 May 2016, Fortune signed a cooperation framework agreement with Mei Long Bank and Goldman Sachs for the issuance of a US\$450 million commercial paper project in London. The agreement lasts for three years. As of December 31, 2017, the amount of notes issued by Fortune was US\$ 90,000,000 (equivalent to RMB588,235,000), the issue date was October 17, 2017, and the maturity date was January 17, 2018.

As of December 31, 2016, the amount of notes issued by Fortune was 100 million euros (equivalent to RMB730,444,000), the issue date was December 13, 2016, and the maturity date was January 13, 2017; The notes issued by CIMC Hong Kong amount to US\$135,000,000 (equivalent to RMB936,522,000), and the issuance date is December 7, 2016, and the maturity date is February 10, 2017.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Long-term borrowings

(1) Classification of long-term borrowings

| | Note | 31 December
2017 | 31 December
2016 |
|---|------|---------------------|---------------------|
| Bank borrowings | | | |
| – Unsecured | | 10,668,493 | 11,496,937 |
| – Mortgaged | (i) | 5,236,902 | 6,260,830 |
| – Guaranteed | (ii) | 12,217,399 | 12,791,165 |
| | | 28,122,794 | 30,548,932 |
| Less: current portion of long-term borrowings | | | |
| – Unsecured | | 2,134,980 | 3,401,313 |
| – Mortgaged | (i) | 1,476,028 | – |
| – Guaranteed | (ii) | 371,618 | 124,397 |
| | | 3,982,626 | 3,525,710 |
| Total | | 24,140,168 | 27,023,222 |

(i) As at December 31, 2017, the Group's long-term collateralized borrowings were CIMC Leasing's contracted object of its financial leases as collateral to borrow from the bank USD810,460,000 (equivalent to RMB5,236,902,000). The long-term collateralized borrowings which will expire within one year amount to USD225,893,000 (equivalent to RMB1,476,028,000).

(ii) As at 31 December 2017, the Group's long-term guaranteed borrowings were comprised of the following: bank borrowing of Fortune amounted to USD1,487,000,000 (equivalent to RMB9,718,954,000) which were guaranteed by the Company and CIMC HK, among which the current portion amounted to USD48,811,000 (equivalent to RMB318,940,000); The guarantee loan amount to RMB7,203,000 guaranteed by the subsidiary CITIC Intelligent Technology Co., Ltd. of Dongguan CIMC Intelligent Technology Co., Ltd.; the guarantee loan of CIMC Vehicles UK Limited ("Vehicles UK") guaranteed by the company amount to GBP27,000,000 (equivalent to RMB237,050,000), including the long-term borrowings expire during one year were GBP6,000,000 (equivalent to RMB52,678,000); the guarantee loan provided by Hongxin Boguee for its subsidiary CIMC Leasing was RMB150,363,000.

(2) No amount due to the shareholders who hold 5% or more of the voting rights of the Company or due to related parties is included in the above balance of long-term borrowings. (2016: nil)

(3) As at 31 December 2017, the interest rate of long-term borrowing ranged from 1.20% to 7.03% (31 December 2016: 1.45% to 6.37%).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Debentures payable

| | 31 December 2016
and
31 December 2017 |
|-------------------|---|
| Medium-term notes | 7,986,500 |

(1) Related information is as follows:

| Debenture name | Par value | Issuance date | Maturity | Issuance amount |
|-------------------------------------|------------------|---------------|-----------|------------------|
| Medium-term notes -16CIMC MTN1 (i) | 3,500,000 | 2016/8/11 | 3 years | 3,500,000 |
| Medium-term notes -16CIMC MTN2 (i) | 2,500,000 | 2016/8/22 | 3 years | 2,500,000 |
| Medium-term notes -16CIMC MTN3 (ii) | 2,000,000 | 2016/10/17 | 3+N years | 1,986,500 |
| Total | 8,000,000 | | | 7,986,500 |

- (i) The Company can issue medium-term notes in the national inter-bank bond market. The company issued its first medium-term notes (MTN) with amount of 3.5 billion on 11 August 2016 with a ceiling of 6 billion to institutional investors in the national inter-bank bond market; with par value of 100 per note and fixed interest rate of 3.07% per annum. Interest is to be paid on 11 August each year in the arrears until redemption and par value to be paid on 11 August 2019. The notes are unsecured and targets institutional investors in the national inter-bank market. As at 22 August 2016, the Company made the second issue with amount of 2.5 billion with par value of 100 per note and fixed interest rate of 3.15% per annum was successfully issued publicly. Interest is to be paid on 22nd August each year in the arrears until redemption and par value to be paid on 22 August 2019. The notes are unsecured and targets institutional investors in the national inter-bank market.
- (ii) As at 17 October 2016, the Company issued medium-term notes with amount of 2 billion at face value. The net amount after deducting the issue fee was RMB1,986,500,000. The medium-term notes are issued for general corporate finance purposes. The first three interest-bearing years are accrued at an interest rate of 3.89% per annum and are paid annually from October 14, 2017 and the Company can choose a deferred interest payment. From the fourth interest-bearing year, the coupon rate is reset every 3 years. The medium-term notes have no fixed expiry dates and may be redeemed by the Company on or after October 14, 2019 at their nominal value, together with a payment of any accrued, unpaid or deferred interest. Before the settlement of deferred interest (including the interest of deferred interest), the issuer can not distribute dividend, reduce capital or any other payment to securities that are inferior to the midterm notes. As a result of the holder's protection clause, without the waiver of the note holder, the Company is required to repay the principal and interest if the Company and subsidiaries that it hold is more than 80% equity has failed to settle any financial institution loans due or exceed the agreed amount. Therefore, the medium term notes are treated as liabilities.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term payables

| | 31 December
2017 | 31 December
2016 |
|-------------------------------------|---------------------|---------------------|
| Financial Lease payables | 229,806 | 323,920 |
| Less: unrealised financing expenses | (10,585) | (34,723) |
| Financial Lease payables-net | 219,221 | 289,197 |
| Payable to minority shareholders | – | 120,789 |
| Deposits payable | 101,834 | 117,922 |
| Others | 26,214 | 1,464 |
| Total | 347,269 | 529,372 |

(1) Details of financial leasing payables

As at 31 December 2017, the total future minimum lease payments under finance leases, 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), were as follows:

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Minimum lease payments | | |
| Within 1 year (inclusive) | 107,388 | 136,571 |
| Over 1 year but within 2 years (inclusive) | 182,388 | 287,267 |
| Over 2 years but within 3 years (inclusive) | 5,427 | 3,564 |
| Over 3 years | 41,991 | 33,089 |
| Sub-total | 337,194 | 460,491 |
| Less: unrecognised finance expenses | (24,619) | (50,549) |
| Carrying amounts | 312,575 | 409,942 |

The Group had no financial leasing guaranteed by independent third party during the year.

(2) As at 31 December 2017, there is no amount due to the shareholders who hold 5% or more of the voting rights of the Company. Amount due to related parties is as follows:

| Company name | Relationship with the Group | 31 December
2017 | 31 December
2016 |
|--------------|-----------------------------------|---------------------|---------------------|
| Shunde Furi | Subsidiaries minority shareholder | – | 120,789 |

Shunde Furi is no longer a minority shareholder of the Group's subsidiaries from July 2017.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Payables for specific projects

| | 31 December
2016 | Current year
addition | Current year
decrease | 31 December
2017 |
|---------------|---------------------|--------------------------|--------------------------|---------------------|
| Project funds | 9,704 | 5,360 | (937) | 14,127 |

42. Deferred income

| | Note | 31 December
2016 | Current
year
addition | Current
year
decrease | 31 December
2017 | Reason |
|-------------------|------|---------------------|-----------------------------|-----------------------------|---------------------|--|
| Government grants | (1) | 829,742 | 189,452 | (178,108) | 841,086 | Government Grants received, to be recognised in future periods |
| Others | | 9,996 | 776 | (5,626) | 5,146 | Outright sale of operating leasing receivables, to be recognised in future periods |
| Total | | 839,738 | 190,228 | (183,734) | 846,232 | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Deferred income (Continued)

(1) Government grants

| | 31 December
2016 | Increase in
the current
year | Decrease in the current year | | | | | 31 December
2017 | Asset related/
Income related |
|--|---------------------|------------------------------------|------------------------------|-----------------|---|-----------------------|-----------------------------|---------------------|----------------------------------|
| | | | Fixed
assets | Other
income | General and
administrative
expenses | Financial
expenses | Non-
operating
income | | |
| Yantai Raffles National Development and Reform Commission on the release of industrial upgrading project budget report | 200,000 | - | - | (11,460) | - | - | - | 188,540 | Asset related |
| Enric relocation compensation | 184,253 | - | - | (7,132) | - | - | - | 177,121 | Asset related |
| Enric new factory government grants | 80,396 | - | - | (3,469) | - | - | - | 76,927 | Asset related |
| Shanxi CIMC Vehicle Industry Garden construction grants | 54,052 | - | - | (7,668) | - | - | - | 46,384 | Asset related |
| Ningbo Container Manufacture industry support funds | 38,000 | - | - | - | - | - | - | 38,000 | Asset related |
| TAS industrial base project | 28,291 | 4,220 | - | (3,899) | - | - | - | 28,612 | Asset related |
| QDCRC world bank foaming equipment project | - | 27,730 | - | (193) | - | - | - | 27,537 | Asset related |
| C&C Trucks government build donation | 30,000 | - | - | (2,679) | - | - | - | 27,321 | Asset related |
| Marine Engineering Equipment Testing and Testing Platform Construction | - | 14,840 | - | - | - | - | - | 14,840 | Asset related |
| Marine Engineering Equipment Testing Platform Construction | - | - | - | - | - | - | - | - | - |
| QDSCR world bank foaming equipment project | - | 13,578 | - | (94) | - | - | - | 13,484 | Asset related |
| Taicang CIMC Special Logistics Equipment Co. Ltd. | 11,396 | - | - | (304) | - | - | - | 11,092 | Asset related |
| TCCIMC land compensation | 9,862 | - | - | (263) | - | - | - | 9,599 | Income related |
| XHCIMCS Zhujiang river bank advanced equipment manufacturing special fund | - | 9,968 | - | (1,528) | - | - | - | 8,440 | Asset related |
| EMA deepwater semi-submersible support platform project | - | 9,271 | - | (1,066) | - | - | - | 8,205 | Asset related |
| NTCIMCS major achievements transformation project | - | 8,000 | - | - | - | - | - | 8,000 | Asset related |
| CQLE Land grant fee refund | 8,021 | - | - | (201) | - | - | - | 7,820 | Income related |
| Zhenhua Group Drop and Pull Transport program | 7,844 | - | - | (271) | - | - | - | 7,573 | Asset related |
| Yantai Raffles Marine Equipment Virtual Reality Training R&D Center | - | 7,022 | - | - | - | - | - | 7,022 | Asset related |
| High-end marine engineering equipment innovation capacity building project | - | 7,000 | - | - | - | - | - | 7,000 | Asset related |
| TAS information technology development special fund | 7,348 | - | - | (1,268) | - | - | - | 6,080 | Asset related |
| MEA-other | 6,301 | - | - | - | - | - | - | 6,301 | Asset related |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Deferred income (Continued)

(1) Government grants (Continued)

| | 31 December
2016 | Current
year
additions | Decrease in the current year | | | | | | 31 December
2017 | Asset related/
Income related |
|---|---------------------|------------------------------|------------------------------|------------------|---|-----------------------|-----------------------------|-------------------------------|----------------------------------|----------------------------------|
| | | | Fixed
assets | Other
income | General and
administrative
expenses | Financial
expenses | Non-
operating
income | Non-
operating
expenses | | |
| MEA special funds to support industrial innovation | 5,520 | - | - | - | - | - | - | 5,520 | Asset related | |
| Shenzhen Super Luxury Yacht R&D Design Laboratory Project | - | 5,000 | - | (85) | - | - | - | 4,915 | Asset related | |
| A variety of communication interface special equipment controller and system industrialization project | 3,000 | 2,180 | - | (1,000) | - | - | - | 4,180 | Asset related | |
| Yantai Raffles Seventh Generation Super Deepwater Drilling Platform (Boat) Innovation Special | 26,504 | 19,013 | - | (41,430) | - | - | - | 4,087 | Asset related | |
| Shenzhen Star Base Equipment and Technology Engineering Laboratory Project | 5,000 | - | - | (917) | - | - | - | 4,083 | Asset related | |
| Land supporting funds and technical R&D funds of Shandong vehicles | 4,270 | - | - | (225) | - | - | - | 4,045 | Asset related | |
| Transformation project of high-tech in Jiangsu Province of Yangzhou Runyang | 2,256 | - | - | (225) | - | - | - | 2,031 | Asset related | |
| C&C Truck equipment financing lease subsidies | - | 2,626 | - | (613) | - | - | - | 2,013 | Asset related | |
| TAS technology development fund | 886 | - | - | (97) | - | - | - | 789 | Asset related | |
| Corporate Government Grants of CCHQ | - | 4,000 | - | (4,000) | - | - | - | - | Income related | |
| Environmentally friendly mega deepwater floating production storage unit(FPSO) and application of the South China Sea | 6,000 | - | - | (6,000) | - | - | - | - | Asset related | |
| Government subsidies of XHCIMCS | 17,362 | - | - | (17,362) | - | - | - | - | Asset related | |
| Government subsidies of Xinhui Modular Building Manufacturing | 10,764 | - | - | (10,764) | - | - | - | - | Asset related | |
| Others | 82,416 | 55,004 | - | (53,895) | - | - | - | 83,525 | Asset related/
Income related | |
| Total | 829,742 | 189,452 | - | (178,108) | - | - | - | 841,086 | | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Share capital

| | 31 December
2016
'000 | Current year
additions
'000 | Current year
decrease
'000 | Change of shares
subject to selling
restriction
'000 | 31 December
2017
'000 |
|---|-----------------------------|-----------------------------------|----------------------------------|---|-----------------------------|
| Shares subject to trading restriction | | | | | |
| – Held by domestic natural person | 699 | – | – | (200) | 499 |
| Shares not subject to trading restriction | | | | | |
| – RMB-denominated ordinary shares | 1,261,301 | 4,312 | – | 200 | 1,265,813 |
| – Foreign shares listed overseas | 1,716,577 | – | – | – | 1,716,577 |
| Total | 2,978,577 | 4,312 | – | – | 2,982,889 |

| | 31 December
2015
'000 | Current year
additions
'000 | Current year
decrease
'000 | Change of
shares subject
to selling
restriction
'000 | 31 December
2016
'000 |
|---|-----------------------------|-----------------------------------|----------------------------------|--|-----------------------------|
| Shares subject to trading restriction | | | | | |
| – Held by domestic natural person | 866 | 21 | – | (188) | 699 |
| Shares not subject to trading restriction | | | | | |
| – RMB-denominated ordinary shares | 1,260,377 | 736 | – | 188 | 1,261,301 |
| – Foreign shares listed overseas | 1,716,577 | – | – | – | 1,716,577 |
| Total | 2,977,820 | 757 | – | – | 2,978,577 |

The par value of the aforesaid shares was RMB1.00.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Other equity instruments

| | 31 December
2016 | Current year
issuance | Other changes
in current year | 30 December
2017 |
|-----------------|---------------------|--------------------------|----------------------------------|---------------------|
| Perpetual bonds | 2,049,035 | 87,808 | (103,800) | 2,033,043 |

| | 31 December
2015 | Current year
issuance | Other changes
in current year | 30 December
2016 |
|-----------------|---------------------|--------------------------|----------------------------------|---------------------|
| Perpetual bonds | 2,033,043 | 119,792 | (103,800) | 2,049,035 |

As at 16 June 2015, the Group issue unsecured perpetual bond at par value of 2,000 million. The net value amounted to 1,981,143,000 after the deduction of issue expenses. The equity instrument was issued for common corporate financing. The interest rate is 5.19% per annum at the first 3 interest-bearing year. From 16 June 2016, the interest is paid once a year and the Group can choose to defer the payment. As of the fourth interest-bearing year, the coupon rate is reset every 3 years. This instrument has no settled maturity date, and the Group can choose to buy it back at the par value together with any accrued, unpaid or deferred interest after 16 June 2018 or later. Before the settlement of deferred interest (including the interest of deferred interest), the issuer can not distribute dividend, reduce capital or any other payment to securities that are inferior to the midterm notes of current period.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Capital surplus (Continued)

| | 31 December
2015 | Current year
additions | Current year
decrease | 31 December
2016 |
|---|---------------------|---------------------------|--------------------------|---------------------|
| Share premium | 3,577,648 | 12,773 | – | 3,590,421 |
| Other capital surplus: | | | | |
| – Exchange reserve on foreign currency capital | 692 | – | – | 692 |
| – Donated non-cash assets reserve | 257 | – | – | 257 |
| – Equity settled share-based payment | 402,887 | 22,316 | (5,199) | 420,004 |
| – Capital surplus due to share option exercised by subsidiary | 14,275 | 1,692 | – | 15,967 |
| – Capital surplus due to minority shareholders' contribution | 207,660 | 227,441 | – | 435,101 |
| – Decrease in minority interests resulted from disposal of subsidiary (not loss the controlling rights on the subsidiary) | 899,128 | 903 | – | 900,031 |
| – Capital surplus due to corporate restructuring | (42,696) | – | – | (42,696) |
| – Capital surplus due to acquiring minority shareholders' equity | (224,430) | – | (22,239) | (246,669) |
| – Capital surplus due to minority shareholders' contribution | (58,964) | – | – | (58,964) |
| – Effect of functional currency change | (406,795) | – | – | (406,795) |
| – Capital surplus due to acquisition or establishment of subsidiary | (51,925) | – | – | (51,925) |
| – Recognition of buy-back right granted to minority shareholders | (1,249,826) | – | (300,000) | (1,549,826) |
| Others | 113,952 | 7,035 | – | 120,987 |
| Total | 3,181,863 | 272,160 | (327,438) | 3,126,585 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Other Comprehensive Income

| | 2017 | | | | | 31 December 2017 |
|--|------------------|---|------------------|---|--|------------------|
| | 31 December 2016 | Pre-tax amount incurred in current year | Less: Income tax | Post-tax amount attributable to the Company | Post-tax amount attributable to the minority | |
| Item that may be reclassified subsequently to profit and loss: | | | | | | |
| - Property revaluation reserve | 43,754 | - | - | - | - | 43,754 |
| - Change in fair value of available-for-sale financial assets | (3,344) | 862 | (294) | 568 | - | (2,776) |
| - Cash flow hedges | 80 | 4,299 | (645) | 3,654 | - | 3,734 |
| - Exchange differences arising from translating foreign currencies | (164,200) | (182,393) | - | (124,633) | (57,760) | (288,833) |
| - Transfer of other comprehensive income from the sale of investment properties | - | (52,115) | 13,029 | (39,086) | - | (39,086) |
| - The share of other comprehensive income that will be reclassified into profit or loss in the equity method | - | 16,448 | - | 16,448 | - | 16,448 |
| - The amount greater than the book value on the conversion date when the self-use real estate is converted to investment properties using fair value measurement | 481,051 | 6,681 | (1,670) | 5,011 | - | 486,062 |
| | 357,341 | (206,218) | 10,420 | (138,038) | (57,760) | 219,303 |

| | 2016 | | | | | 31 December 2016 |
|---|------------------|---|------------------|---|--|------------------|
| | 31 December 2015 | Pre-tax amount incurred in current year | Less: Income tax | Post-tax amount attributable to the Company | Post-tax amount attributable to the minority | |
| Item that may be reclassified subsequently to profit and loss: | | | | | | |
| - Property revaluation reserve | 43,754 | - | - | - | - | 43,754 |
| - Change in fair value of available-for-sale financial assets | (3,240) | (104) | - | (104) | - | (3,344) |
| - Cash flow hedges | (4,074) | 4,887 | (733) | 4,154 | - | 80 |
| - Exchange differences arising from translating foreign currencies | (554,570) | 462,287 | - | 390,370 | 71,917 | (164,200) |
| - Gain/(loss) from the difference between fair value and book value by converting fixed assets/intangible assets to investment properties | 3,653 | 584,834 | (83,825) | 477,398 | 23,611 | 481,051 |
| | (514,477) | 1,051,904 | (84,558) | 871,818 | 95,528 | 357,341 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Surplus reserve

| | 31 December
2016 | Current year
additions | Current year
decrease | 31 December
2017 |
|-------------------------------|---------------------|---------------------------|--------------------------|---------------------|
| Statutory surplus reserve | 1,489,287 | 2,156 | – | 1,491,443 |
| Discretionary surplus reserve | 1,790,092 | – | – | 1,790,092 |
| Total | 3,279,379 | 2,156 | – | 3,281,535 |

| | 31 December
2015 | Current year
additions | Current year
decrease | 31 December
2016 |
|-------------------------------|---------------------|---------------------------|--------------------------|---------------------|
| Statutory surplus reserve | 1,413,486 | 75,801 | – | 1,489,287 |
| Discretionary surplus reserve | 1,790,092 | – | – | 1,790,092 |
| Total | 3,203,578 | 75,801 | – | 3,279,379 |

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year (including shareholder and other equity holders of the Company) to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital.

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

49. Undistributed profits

| | Note | 2017 | 2016 |
|---|------|-------------------|-------------------|
| Undistributed profits at the beginning of the year | | 17,495,053 | 17,805,808 |
| Add: net profit attributable to the shareholders and other equity holders of the Company for the current year | | 2,509,242 | 539,660 |
| Less: Influence of issuing perpetual bonds | | (87,808) | (119,792) |
| Less: appropriation for surplus reserve | | (2,156) | (75,801) |
| Less: ordinary share dividends payable | (1) | (179,837) | (654,822) |
| Undistributed profits at the end of the year | | 19,734,494 | 17,495,053 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Undistributed profits (Continued)

(1) Dividends of ordinary shares declared during the year

| | 2017 | 2016 |
|--------------------------------------|---------|---------|
| Dividends proposed but not declared | – | – |
| Total proposed dividends in the year | 179,837 | 654,822 |

In accordance with the resolution at the shareholders' general meeting of the Company, as at 9 June 2017, the Company paid a cash dividend in the amount of 0.06 per share to the ordinary shareholders as at 20 July 2017 (2016: 0.22 per share), totalling 179,837,000 (2016: 654,822,000).

50. Revenue and cost of sales

| | 2017 | 2016 |
|-------------------------------------|------------|------------|
| Revenue from main operations | 74,527,712 | 49,960,016 |
| Revenue from other operations | 1,772,218 | 1,151,636 |
| Total | 76,299,930 | 51,111,652 |
| Cost of sales from main operations | 61,592,397 | 41,019,009 |
| Cost of sales from other operations | 700,318 | 463,008 |
| Total | 62,292,715 | 41,482,017 |

There was no individual construction contract whose revenue amounted to more than 10% of the total revenue.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Revenue and cost of sales (Continued)

(3) Revenue and cost of sales from other operations

| | 2017 | | 2016 | |
|-----------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Revenue from other operations | Cost of sales from other operations | Revenue from other operations | Cost of sales from other operations |
| Rendering of services | 1,112,771 | 436,712 | 786,869 | 269,449 |
| Sale of raw materials | 659,447 | 263,606 | 364,767 | 193,559 |
| Total | 1,772,218 | 700,318 | 1,151,636 | 463,008 |

51. Taxes and surcharges

| | 2017 | 2016 | Tax base |
|---------------------------------------|---------|---------|---|
| City maintenance and construction tax | 108,394 | 132,272 | 7% of VAT and business |
| Educational sur-charge | 82,806 | 99,173 | 3% – 5% of VAT and business tax paid |
| Tenure tax | 125,022 | 96,127 | Actual using area of land and unit tax |
| Land appreciation tax | 75,163 | 55,503 | Appreciation amount in transferring property and applicable tax rate |
| Housing property tax | 79,706 | 63,360 | Real estate surplus or property rental income and applicable tax rate |
| Business tax | – | 21,421 | 3% – 5% of revenue |
| Stamp Duty | 33,213 | 24,272 | Amount or number of taxable voucher and applicable tax rate or unit tax |
| Others | 12,419 | 10,971 | |
| Total | 516,723 | 503,099 | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Selling and distribution expenses

| | 2017 | 2016 |
|--|------------------|------------------|
| Transportation and distribution expenses | 1,138,257 | 685,992 |
| Employ benefit | 811,113 | 720,700 |
| Selling operation | 359,520 | 333,922 |
| Warranty | 207,391 | 96,219 |
| External sales commission | 101,040 | 68,133 |
| Product maintenance fee | 40,163 | 19,161 |
| Agency fees | 38,631 | 39,149 |
| Advertising | 49,150 | 44,307 |
| Storage | 14,025 | 23,834 |
| Others | 167,428 | 125,563 |
| Total | 2,926,718 | 2,156,980 |

53. General and administrative expenses

| | 2017 | 2016 |
|--|------------------|------------------|
| Employ Benefits | 2,238,096 | 1,775,770 |
| Technology development costs | 651,729 | 519,440 |
| Agency fees | 269,891 | 254,440 |
| Depreciation | 282,746 | 252,431 |
| Amortisation | 265,686 | 228,404 |
| Performance bonus and profit sharing bonus | 476,910 | 175,826 |
| Rental | 192,377 | 145,335 |
| Low-value consumables and materials consumed | 120,275 | 106,476 |
| Taxes and surcharges | 119,552 | 62,905 |
| Share-based payment expenses | 16,324 | 32,384 |
| Audit fee | 13,460 | 14,070 |
| Office expenditure, entertainment fee and others | 835,008 | 641,117 |
| Total | 5,482,054 | 4,208,598 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Financial expenses-net

| | 2017 | 2016 |
|-----------------------------------|------------------|----------------|
| Interest expenses | 1,666,516 | 1,409,223 |
| Less: capitalised borrowing costs | 517,890 | 507,365 |
| Less: interest income | 227,261 | 142,335 |
| Exchange losses/(gains) | 378,290 | (175,044) |
| Others | 146,666 | 134,630 |
| Total | 1,446,321 | 719,109 |

55. Expenses by nature

Costs of services, selling expenses, general administrative expenses and financial expenses in income statement by nature are analysed as follows:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Finished goods and work-in-process movement | (1,549,743) | (311,400) |
| Consumption of raw materials and low priced and easily worn articles, etc | 55,997,065 | 35,135,856 |
| Salary and wages | 7,402,385 | 5,925,685 |
| Depreciation and amortisation | 2,343,346 | 2,191,830 |
| Rental | 319,052 | 331,061 |
| Shipping and handling charges | 1,184,077 | 817,931 |
| Selling operation expenses | 359,520 | 333,922 |
| Technology development costs | 651,729 | 519,440 |
| Power expenses | 672,161 | 519,311 |
| Processing and repairing expense | 633,742 | 535,228 |
| Audit fees | 13,460 | 14,070 |
| Other expenses-other manufacturing expenses | 470,498 | 423,193 |
| Other expenses-other selling and distribution expenses | 557,183 | 337,318 |
| Other expenses-other general and administrative expenses | 1,647,012 | 1,074,150 |
| Total | 70,701,487 | 47,847,595 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Profit arising from changes in fair value

| | 2017 | 2016 |
|--|---------------|----------------|
| Financial assets at fair value through profit or loss | | |
| – Changes in fair value during the year | | |
| 1. Profit from changes in fair value of equity instrument held for trading | 56,175 | 7,776 |
| 2. Profit/(Loss) from changes in fair value of derivative financial instrument | 21,454 | 70,286 |
| – (Loss)/Profit for derecognised financial assets at fair value through profit or loss | (1,252) | 232,153 |
| Sub-total | 76,377 | 310,215 |
| Investment properties at fair value | 5,344 | 75,792 |
| Financial liabilities at fair value through profit or loss | | |
| – Changes in fair value during the year | | |
| 1. Profit from changes in fair value of derivative financial instrument | 12,813 | 242,308 |
| 2. Profit/(Loss) from changes in fair value of financial guarantee | | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Gain on disposal of assets

| | 2017 | 2016 | Amount recognised in non-recurring profit or loss in 2017 |
|--|----------------|----------------|---|
| Gains on disposals of fixed assets | 100,791 | 102,444 | 100,791 |
| Gain on disposals of Intangible assets | 12,543 | 299,902 | 12,543 |
| Total | 113,334 | 402,346 | 113,334 |

59. Other income

| | 2017 | 2016 | Asset related/
Income related |
|---------------------|----------------|------|----------------------------------|
| Financial subsidies | 392,270 | – | Asset related/
Income related |
| Tax refund | 56,791 | – | Income related |
| Others | 23,565 | – | Income related |
| Total | 472,626 | | |

60. Asset impairment losses

| | 2017 | 2016 |
|--|----------------|------------------|
| Inventories | 173,932 | 100,725 |
| Accounts receivable | 140,192 | 174,954 |
| Other receivables | 118,582 | 1,403,702 |
| Long-term receivables (Non-current assets due within one year) | 123,659 | 271,429 |
| Advance to suppliers | 56,724 | 46,716 |
| Goodwill | 38,000 | 77,557 |
| Fixed assets | 20,252 | 8,310 |
| Intangible assets | – | 5,936 |
| Construction in progress | – | 305 |
| Total | 671,341 | 2,089,634 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Non-operating income

(1) Non-operating income by categories:

| | Note | 2017 | 2016 | Amount recognised in non-recurring profit or loss in 2017 |
|----------------------------|------|----------------|----------------|---|
| Relocation compensation | | 445,677 | – | 445,677 |
| Gain from bargain purchase | | 68,701 | – | 68,701 |
| Unpayable payables | | 26,033 | 136,061 | 26,033 |
| Compensation income | | 11,812 | 6,850 | 11,812 |
| Penalty income | | 22,808 | 8,560 | 22,808 |
| Government grants | (2) | – | 497,336 | – |
| Other | | 47,390 | 112,434 | 47,390 |
| Total | | 622,421 | 761,241 | 622,421 |

(2) Details of government grants

| | 2017 | 2016 | Asset related/
Income related |
|---------------------|----------|----------------|----------------------------------|
| Financial subsidies | – | 430,650 | Income related |
| Tax refund | – | 55,970 | Income related |
| Others | – | 10,716 | Income related |
| Total | – | 497,336 | |

62. Non-operating expense

| | 2017 | 2016 | The amount including non-recurring gains and losses in 2017 |
|----------------------------------|----------------|----------------|---|
| Relocation compensation expenses | 131,625 | – | 131,625 |
| Abnormal losses | 109,925 | 95,693 | 109,925 |
| Loss of disposal of fixed assets | 97,699 | 137,794 | 97,699 |
| Compensation expenses | 16,684 | 5,008 | 16,684 |
| Penalty expenses | 6,922 | 5,320 | 6,922 |
| Donations | 2,592 | 1,301 | 2,592 |
| Others | 19,418 | 16,958 | 19,418 |
| Total | 384,865 | 262,074 | 384,865 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Income tax expenses

| | 2017 | 2016 |
|--|-----------|----------|
| Current income tax calculated based on tax law and related regulations | 1,266,361 | 985,708 |
| Deferred income tax | (15,535) | (18,640) |
| Total | 1,250,826 | 967,068 |

Reconciliation between income tax expenses and accounting profits is as follows:

| | 2017 | 2016 |
|---|-----------|-----------|
| Profit before tax | 4,409,241 | 1,702,051 |
| Income tax expenses calculated at applicable tax rates | 974,772 | 340,144 |
| Effect of tax incentive | (148,887) | (112,254) |
| Expenses not deductible for tax purposes | 135,909 | 122,230 |
| Other income not subject to tax | (37,101) | (1,958) |
| Utilisation of previously unrecognised tax losses | (128,878) | (41,584) |
| Tax effect of unrecognised tax losses | 464,203 | 362,965 |
| Deductible temporary differences in unrecognised deferred | | |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

| | 2017 | 2016 |
|---|-----------|-----------|
| Consolidated profit attributable to ordinary shareholders and other equity holders of the Company | 2,509,242 | 539,660 |
| Influence of the issuing of perpetual bonds | (87,808) | (119,792) |
| Consolidated profit (adjusted) attributable to ordinary shareholders of the Company | 2,421,434 | 419,868 |
| Weighted average number of ordinary shares outstanding ('000) | 2,980,056 | 2,978,296 |
| Basic earnings per share (RMB/share) | 0.81 | 0.14 |
| Including: Going concern basic earnings per share | 0.81 | 0.14 |

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding:

| | 2017 | 2016 |
|---|-----------|-----------|
| Consolidated profit attributable to ordinary shareholders and other equity holders of the Company | 2,509,242 | 539,660 |
| Influence of the issuing of perpetual bonds | (87,808) | (119,792) |
| Effect share option program | (1,371) | – |
| Consolidated profit (adjusted) attributable to ordinary shareholders of the Company | 2,420,063 | 419,868 |
| Weighted average number of ordinary shares outstanding (diluted) ('000) (adjusted) | 2,988,147 | 2,984,119 |
| Diluted earnings per share (RMB/share) | 0.81 | 0.14 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Earnings per share (Continued)

(2) Diluted earnings per share (Continued)

(2) 稀释每股收益 (续):

| | 2017 | 2016 |
|--|-----------|-----------|
| Weighted average number of ordinary shares out-standing ('000) | 2,980,056 | 2,978,296 |
| Effect of share options ('000) | 8,091 | 5,823 |
| Weighted average number of ordinary shares out-standing (diluted) ('000) | 2,988,147 | 2,984,119 |

The board of directors the Company was authorised to grant 60,000,000 shares (2.01% of the total issued shares 2,980,055,749) to the senior management and other staffs. Refer to Note IX for details.

65. Notes to the consolidated cash flow statement

(1) Cash received relating to other operating activities

| | 2017 | 2016 |
|--|-----------|---------|
| Relocation compensation received this year | 1,183,551 | – |
| Cash received from government grants related to income | 232,101 | 230,968 |
| Cash received from guarantee deposit, security deposit | 195,021 | 142,335 |
| Cash received from penalty income | 22,808 | 8,560 |
| Cash received from compensation income | 11,812 | 6,850 |
| Others | 46,633 | 86,891 |
| Total | 1,691,926 | 475,604 |

(2) Cash paid relating to other operating activities

| | 2017 | 2016 |
|---|-----------|-----------|
| Cash paid for transportation and distribution expenses | 1,184,077 | 817,931 |
| Cash paid for rental, insurance and other selling and distribution expenses | 261,025 | 106,476 |
| Cash paid for technical development costs | 651,729 | 519,440 |
| Cash paid for warranty | 128,190 | 139,636 |
| Cash paid for sales operation fee | 359,520 | 333,922 |
| Cash paid for entertainment fee | 835,464 | 653,540 |
| Cash paid for travelling, office expenditure and other expenses in ordinary operation | 2,397,683 | 1,999,540 |
| Total | 5,817,688 | 4,570,485 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Notes to the consolidated cash flow statement (Continued)

(3) Cash received relating to other investing activities

| | 2017 | 2016 |
|--|----------------|----------------|
| Cash received from government grants related to assets | 189,452 | 438,526 |
| Others | – | 8,394 |
| Total | 189,452 | 446,920 |

(4) Cash received relating to other financing activities

| | 2017 | 2016 |
|---|--------|-------|
| Cash received from share option exercised by subsidiary | 16,474 | 3,755 |

(5) Cash paid relating to other financing activities

| | 2017 | 2016 |
|---|---------|---------|
| Cash paid for from acquiring minority interests | 613,427 | 748,489 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Information to cash flow statement

(1) Supplementary information to the consolidated cash flow statement

(A) 2017 2016

| | 2017 | 2016 |
|--|------------------|------------------|
| Net profit | 3,158,415 | 734,983 |
| Add: Provisions for asset impairment | 671,341 | 2,089,634 |
| Depreciation of fixed assets | 1,794,182 | 1,687,106 |
| Amortisation of intangible assets | 335,393 | 383,811 |
| Amortisation of investment properties and long-term prepaid expenses | 213,771 | 120,913 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets | 97,699 | 151,788 |
| Gain from bargain purchase | (68,701) | – |
| Gain on change in fair value | (111,316) | (613,913) |
| Financial cost | 1,666,516 | 1,798,022 |
| Investment income | (510,351) | (234,410) |
| Share-based payment expenses | 16,324 | 32,384 |
| Increase in deferred tax assets | (158,967) | (60,668) |
| Deferred income amortization | (178,108) | (116,575) |
| Increase in deferred tax liabilities | 64,627 | 64,998 |
| Increase in inventories | (1,772,602) | (451,064) |
| Increase in operating receivables | (5,369,090) | (4,372,074) |
| Increase in operating payables | 4,426,246 | 1,126,684 |
| Net cash inflows from operating activities | 4,275,379 | 2,341,619 |

(B) 2017 2016

| | 2017 | 2016 |
|--|------------------|------------------|
| Cash and cash equivalents at the end of the year | 5,442,857 | 6,338,667 |
| Less: cash and cash equivalents at the beginning of the year | 6,338,667 | 3,259,123 |
| Net (decrease)/increase in cash and cash equivalents | (895,810) | 3,079,544 |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Information to cash flow statement (Continued)

(2) Information on acquisition of subsidiaries and other business units during the year

| | 2017 | 2016 |
|---|-------------|-----------|
| I. Information on acquisition of subsidiaries | | |
| Cash and cash equivalents paid for acquisition | 814,800 | 965,036 |
| Less: Cash and cash equivalents held by subsidiaries and other business units on acquisition date | 250,655 | 226,674 |
| Net cash paid to acquire subsidiaries | 564,145 | 738,362 |
| Net assets held by the acquired subsidiaries | | |
| Current assets | 1,677,482 | 604,411 |
| Non-current assets | 653,113 | 505,556 |
| Current liabilities | (1,306,414) | (537,137) |
| Non-current liabilities | (107,244) | (123,640) |
| Minority interest | (14,194) | (20,764) |

(3) Information on disposal of subsidiaries or other undertakings:

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| I. Information on disposal of subsidiaries: | | |
| 1. Cash and cash equivalent received on disposal of subsidiaries or other undertakings | 506,972 | 232,000 |
| Less: Cash and cash equivalents remained on disposal day of disposed subsidiaries or other undertakings | 31,343 | 25,579 |
| 2. Net cash and cash equivalent received on disposal of subsidiaries or other undertakings | 475,629 | 206,421 |
| Price of disposed subsidiaries in 2017 | 651,133 | 548,257 |
| Net asset of disposal subsidiaries | | |
| Current asset | 189,441 | 1,374,610 |
| Non-current asset | 332,514 | 203,105 |
| Current liabilities | (404,461) | (1,454,511) |
| Non-current liabilities | (915) | (12) |
| Minority interest | 75,746 | - |

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Information to cash flow statement (Continued)

(4) Cash and cash equivalents



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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Monetary items denominated in foreign currency

| | 31 December 2017 | | |
|-------------------------|---------------------------------------|---------------|-----------|
| | Functional currency
(in thousands) | Exchange Rate | in RMB |
| Monetary fund – | | | |
| EUR | 201,013 | 7.8003 | 1,567,965 |
| USD | 44,772 | 6.5359 | 292,628 |
| HKD | 313,508 | 0.8359 | 262,061 |
| GBP | 21,750 | 8.7796 | 190,960 |
| THB | 357,810 | 0.2005 | 71,741 |
| AUD | 8,434 | 5.0916 | 42,942 |
| JPY | 300,288 | 0.0579 | 17,387 |
| Others | | | 100,178 |
| | | | 2,545,862 |
| Accounts receivable – | | | |
| USD | 1,275,585 | 6.5359 | 8,337,096 |
| EUR | 93,764 | 7.8003 | 731,391 |
| GBP | 41,424 | 8.7796 | 363,688 |
| JPY | 1,192,742 | 0.0579 | 69,060 |
| HKD | 60,556 | 0.8359 | 50,619 |
| AUD | 9,503 | 5.0916 | 48,387 |
| THB | 14,429 | 0.2005 | 2,893 |
| Others | | | 209,435 |
| | | | 9,812,569 |
| Other receivables – | | | |
| USD | 90,038 | 6.5359 | 588,479 |
| EUR | 16,532 | 7.8003 | 128,958 |
| GBP | 3,992 | 8.7796 | 35,052 |
| HKD | 23,227 | 0.8359 | 19,416 |
| AUD | 480 | 5.0916 | 2,443 |
| THB | 699 | 0.2005 | 140 |
| Others | | | 75,858 |
| | | | 850,346 |
| Long term receivables – | | | |
| USD | 1,363,911 | 6.5359 | 8,914,386 |
| GBP | 11,448 | 8.7796 | 100,509 |
| Others | | | 11,095 |
| | | | 9,025,990 |

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(All amounts in RMB'000 unless otherwise stated)
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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Monetary items denominated in foreign currency (Continued)

| | 31 December 2017 | | |
|-------------------------|---------------------------------------|---------------|------------|
| | Functional currency
(in thousands) | Exchange Rate | in RMB |
| Short-term borrowings – | | | |
| USD | 1,614,319 | 6.5359 | 10,551,027 |
| EUR | 72,054 | 7.8003 | 562,042 |
| Others | | | 249,100 |
| | | | 11,362,169 |
| Accounts payable – | | | |
| USD | 148,781 | 6.5359 | 972,415 |
| GBP | 44,393 | 8.7796 | 389,756 |
| EUR | 47,716 | 7.8003 | 372,200 |
| CHF | 13,664 | 6.6779 | 91,248 |
| HKD | 57,729 | 0.8359 | 48,256 |
| AUD | 7,195 | 5.0916 | 36,632 |
| THB | 41,111 | 0.2005 | 8,243 |
| JPY | 21,960 | 0.0579 | 1,271 |
| Others | | | 112,185 |
| | | | 2,032,206 |
| Other payables – | | | |
| USD | 122,789 | 6.5359 | 802,534 |
| EUR | 15,971 | 7.8003 | 124,577 |
| GBP | 13,231 | 8.7796 | 116,160 |
| JPY | 209,390 | 0.0579 | 12,124 |
| HKD | 9,074 | 0.8359 | 7,585 |
| AUD | 1,328 | 5.0916 | 6,762 |
| THB | 17,502 | 0.2005 | 3,509 |
| Others | | | 137,265 |
| | | | 1,210,516 |
| Long-term borrowings – | | | |
| USD | 3,411,438 | 6.5359 | 22,296,820 |
| GBP | 29,420 | 8.7796 | 258,300 |
| | | | 22,555,120 |
| Long term payables – | | | |
| USD | 23,160 | 6.5359 | 151,373 |

The above-mentioned foreign currency monetary items refer to all currencies except RMB. (The scope is different from the foreign currency items in Note XIV (4) (1))

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V. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combinations involving enterprises not under common control

(1) Business combinations involving enterprises not under common control

| The acquiree | The acquisition date | Cost of acquisition | Acquired equity percentage | Acquisition method | Deterministic accordance of the acquisition date | Cash flows | | | |
|--|----------------------|---------------------|----------------------------|--|--|--|---|--|---|
| | | | | | | Revenue of the acquiree from the acquisition date to the end of the year | Net loss of the acquiree from the acquisition date to the end of the year | from operating activities of the acquiree from the acquisition date to the end of the year | Net cash flows of the acquiree from the acquisition date to the end of the year |
| SOE (2) | 4 August 2017 | 799,800 | 100% | By cash | Reorganization plan approved by creditors meeting and approved by Chinese court | - | 13,001 | (2,539) | 44,450 |
| Zhengzhou Logistics (3) | 30 June 2017 | 19,610 | 100% | By cash, Equity exchange, Contingent consideration | Date of the approval of board of directors, resignation of former director, and approval of the new constitution | 2,125 | (4,929) | 10 | (19) |
| Qingdao lida chemical (4) | 1 January 2017 | 28,199 | 70% | By cash | Date of the approval of the new constitution | 51,355 | 4,164 | (7,541) | 1,956 |
| Qingdao lida new rubber & plastic products (4) | 1 January 2017 | 1,530 | 70% | By cash | Date of the approval of the new constitution | 18,721 | 992 | (10,874) | 1,321 |

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(All amounts in RMB'000 unless otherwise stated)
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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations involving enterprises not under common control (Continued)

(2) Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd.

On 4 August 2017, approved by the PRC court, Enric, a subsidiary of the CIMC acquired 100% of the issued shares in SOE, which is principally engaged in offshore oil, transportation and storage of liquefied gas, offshore crane, topside module, cargo systems and manufacturing of other high-level equipment, for a cash consideration of RMB799,800,000.

(A) 2017年8月4日，经中国法院批准，中集集团全资子公司恩瑞克收购了SOE 100%的已发行股份。SOE主要从事液化天然气运输和储存、海上石油、海上起重、海上模块、海上货物系统和其他高级设备的制造。

| Costs of combination | |
|--|-----------|
| Cash | 799,800 |
| Less: fair value of identifiable net assets obtained | (868,501) |
| Gain from bargain purchase | (68,701) |

The Group believes that the above-mentioned consolidated earnings is mainly due to the fact that after SOE entered bankruptcy proceedings, the court and the manager hired an independent appraiser to assess the realized value of its assets under the assumption of bankruptcy liquidation of SOE, and determined the proportion of debt liquidation and the acquisition consideration payable by the Group. However, the Group's assessment of the fair value of identifiable net assets of SOE on the acquisition date is based on the assumption of normal production and operations in it. The rapid realization of assets under the assumption of bankruptcy liquidation will greatly reduce their value and will be lower than the value assessed under the assumption of normal production and operation.

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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations involving enterprises not under common control (Continued)

(2) Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd. (Continued)

(6) 2017年12月31日收购的资产和负债的公允价值及收购日期

| | | Acquisition date
Fair value | Acquisition date
Carrying amount | 31 December
2016
Carrying amount |
|--------------------------|------|--------------------------------|-------------------------------------|--|
| Cash at bank and on hand | | 249,792 | 249,792 | 92,204 |
| Accounts receivable | (i) | 288,884 | 288,884 | 235,749 |
| Other receivables | (ii) | 764,090 | 764,090 | 592,674 |
| Inventories | | 330,700 | 310,077 | 409,476 |
| Fixed assets | | 415,890 | 299,130 | 395,726 |
| Construction in progress | | 72,900 | 42,515 | 83,553 |
| Intangible assets | | 117,000 | 72,884 | 105,313 |
| Short-term borrowings | | - | - | (1,279,755) |
| Accounts payable | | -(1,279,755) | | |

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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations involving enterprises not under common control (Continued)

(3) Zhengzhou Logistics

In June 2017, Kunshan CIMC Automatic logistic equipment Co.,Ltd, a subsidiary of the Group, acquired 100% of issued shares in Zhengzhou Logistics, which is engaged in the sales, design and technical services of modern logistics automation systems and high-speed sorting systems. According to the sale and purchase agreement, the merger costs include:

- (i) Cash of RMB5,000,000;
- (ii) 8.03% equity of Kunshan CIMC Automatic logistic equipment Co.,Ltd,. The fair value of this 8.03% equity is set at RMB12,000,000; and
- (iii) Contingent consideration, the higher of RMB3,000,000 and 3% of sales of Zhengzhou Logistics in the next three years.

After the transaction was completed, Zhengzhou Logistics became a 54.7% owned subsidiary of the Group.

(4) Costs of combination

| Costs of combination | |
|--|---------|
| Cash | 5,000 |
| 8.03% equity interest in Kunshan CIMC Automatic logistic equipment Co.,Ltd | 12,000 |
| Net value of contingent consideration (c) | 2,610 |
| Less: fair value of identifiable net assets obtained | (5,966) |
| Goodwill | 13,644 |

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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combinations involving enterprises not under common control (Continued)

(3) Zhengzhou Logistics (Continued)

(6) The following table shows the fair value of identifiable intangible assets acquired in the business combination:

| | Acquisition date
Fair value | Acquisition date
Carrying amount | 31 December 2016
Carrying amount |
|---------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Cash at bank and on hand | 514 | 514 | 58 |
| Accounts receivable | 311 | 311 | 736 |
| Prepayment | 91 | 91 | 581 |
| Other receivables | 42 | 42 | 773 |
| Inventories | 7,601 | 7,006 | 5,893 |
| Other current assets | – | – | 37 |
| Fixed assets | 192 | 79 | 109 |
| Intangible assets | 6,880 | 2,732 | 5,374 |
| Deferred tax assets | 751 | 751 | – |
| Accounts payable | (1,301) | (1,301) | (1,328) |
| Advances from customers | (2,395) | (2,395) | (2,853) |
| Other payables | (5,254) | (5,254) | (5,962) |
| Employee benefits payable | (141) | (141) | – |
| Taxes payable | (630) | (630) | (7) |
| Deferred tax liabilities | (695) | – | – |
| Net assets | 5,966 | 1805 | 3,411 |

(7) The management has estimated that 3% sales of Zhengzhou Logistics in the next three years will be less than RMB3,000,000, the management assessed that the amount of contingent consideration to be paid will be RMB3,000,000. As of December 31, 2017, the management had estimated the discounted future payments through the use of a three-year borrowing rate, the current value of the contingent consideration was RMB2,610,000 and was recognized in other payables in the consolidated balance sheet.

Chapter XIII

A

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
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V.

For the year ended 31 December 2017
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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

2. Disposal of subsidiaries

(a) The relevant information for the disposal of major subsidiaries during the year is summarized as follows:

| Name of the subsidiary | The disposal price | The equity percentage disposed | Disposal method | The disposal date | Deterministic accordance of the disposal date | The difference between the disposal price and the share of the net assets if the disposed subsidiary in the consolidated financial statements | The amount of other comprehensive income related to the equity investment of the Company transferred to the investment gains and losses Company transferred to the investment gains and losses |
|--|--------------------|--------------------------------|-----------------|-------------------|--|---|--|
| Shenzhen CIMC electricity logistics technology co., LTD ("CIMC E-commerce.") | 633,715 | 78.236% | Selling | 30 October 2017 | On 30 October 2017, the equity transfer agreement was approved by the general meeting of shareholders; the purchaser has already paid 80% of the purchase price, has appointed the director and general manager, and has actually controlled the financial and business operations of CIMC E-commerce. At the same time, the purchaser enjoy the corresponding benefits and taken the risks. | 483,588 | - |
| Highfield Development Corp. ("Highfield") | 17,418 | 100% | Selling | 30 March 2017 | On 30 March 2017, the equity transfer agreement was approved by the board of directors; the purchaser appointed the directors and the general manager and has already controlled Highfield's financial and operating policies and enjoyed corresponding benefits and taken the risks. | (24,780) | - |

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V. CHANGES IN THE SCOPE OF CONSOLIDATION (CONTINUED)

2. Disposal of subsidiaries (Continued)

(b) The disposal of gain and loss information is as follows:

(j) 上海服务

The disposal gains are calculated as follows:

| | |
|--|---------|
| Disposal price | 633,715 |
| Less: the share of the net assets of Yangshan service in consolidated financial statements | 150,127 |
| Other comprehensive income transferred to current profits and losses | – |
| Investment gains from disposal | 483,588 |

(k) 高夫

The disposal gains are calculated as follows:

| | |
|---|----------|
| Disposal price | 17,418 |
| Less: the share of the net assets of Highfield in consolidated financial statements | 42,198 |
| Other comprehensive income transferred to current profits and losses | – |
| Investment gains from disposal | (24,780) |

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VI. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

All subsidiaries of the Group were established or acquired through combination not under common control. There is no acquisition of subsidiaries through combination under common control.

As at 31 December 2017, the number of companies included in the scope of consolidation added up to 620. Except for the important subsidiaries listed as below, the number of other subsidiaries held by the Group was 351, with paid-in capital amounting to 745,236,291. Other subsidiaries mainly included those engaged in manufacturing or service provision, which have relatively small scale of operation and the paid-in capital was below 20 million or USD3 million. Other subsidiaries also included those investment holding companies with no operating activities registered in Hong Kong, British Virgin Islands or other overseas countries.

(1) Subsidiaries obtained through establishment or business combination

(2) 本公司通过以下方式

| No. | Name | Category | Registration | | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|---------------------|---------------------|--|---|-------------------------|----------|
| | | | Place | Main Premises | | | Direct | Indirect |
| 1 | Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (SCIMC) | Business entity | Shenzhen, Guangdong | Shenzhen, Guangdong | Manufacture, repair and sale of container, container stockpiling business | RMB137,698,700 | 100.00% | - |
| 2 | Shenzhen Southern CIMC Logistics Equipment Manufacturing Co., Ltd. (SCIMCEL) | Business entity | Shenzhen, Guangdong | Shenzhen, Guangdong | Manufacture and repair of container, design and manufacture of new-style special road and port | USD80,000,000 | - | 100.00% |
| 3 | Xinhui CIMC Container Co., Ltd. (XHCIMC) | Business entity | Jiangmen, Guangdong | Jiangmen, Guangdong | Manufacture, repair and sale of containers | USD24,000,000 | 20.00% | 50.00% |
| 4 | Nantong CIMC Shunda Containers Co., Ltd. (NTCIMC) | Business entity | Nantong, Jiangsu | Nantong, Jiangsu | Manufacture, repair and sale of containers | USD7,700,000 | - | 71.00% |
| 5 | Tianjin CIMC Containers Co., Ltd. (TJCMC) | Business entity | Tianjin | Tianjin | Manufacture and sale of container as well as relevant technical advisory; container stockpiling business | USD50,000,000 | - | 100.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 6 | Dalian CIMC Containers Co., Ltd. (DLCIMC) | Business entity | Dalian, Liaoning | Dalian, Liaoning | Manufacture and sale of container as well as relevant technical advisory; container stockpiling business | USD39,956,400 | 18.50% | 81.50% |
| 7 | Ningbo CIMC Logistics Equipment Co., Ltd. (NBCIMC) | Business entity | Ningbo Zhejiang | Ningbo Zhejiang | Manufacture and sales of containers and related technological consultancy; container storage | USD15,000,000 | - | 100.00% |
| 8 | Taicang CIMC Containers Co., Ltd. (TCCIMC) | Business entity | Taicang Jiangsu | Taicang Jiangsu | Manufacture and repair of container | USD31,000,000 | - | 100.00% |
| 9 | Yangzhou Runyang Logistics Equipments Co., Ltd. (YZRYL) | Business entity | Yangzhou Jiangsu | Yangzhou Jiangsu | Manufacture, repair and sales of container | USD20,000,000 | - | 100.00% |
| 10 | Shanghai CIMC Yangshan Logistics Equipments Co., Ltd. (SHYSLE) | Business entity | Shanghai | Shanghai | Manufacture and sale of container as well as relevant technical advisory | USD29,480,000 | - | 100.00% |
| 11 | Shanghai CIMC Reefer Containers Co., Ltd. (SCRC) | Business entity | Shanghai | Shanghai | Manufacture and sale of refrigeration and heat preservation device of reefer container, refrigerator car and Heat; Preservation car | USD31,000,000 | 72.00% | 20.00% |
| 12 | Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. (NTCIMCS) | Business entity | Nantong Jiangsu | Nantong Jiangsu | Manufacture, sale and repair of various trough, tank as well as various special storing and transporting equipments and parts | USD10,000,000 | - | 71.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 本公司通过设立或业务合并获得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|-----------------------|-----------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 13 | Xinhui CIMC Special Transportation Equipment Co., Ltd. (XHCIMCS) | Business entity | Jiangmen
Guangdong | Jiangmen
Guangdong | Manufacture and sale of various container, semi-finished container product and relevant components product and relevant components and maintenance service | USD65,498,958 | - | 100.00% |
| 14 | Nantong CIMC Tank Equipment Co., Ltd (NTCIMCT) | Business entity | Nantong Jiangsu | Nantong Jiangsu | Manufacture and sale of various container, semi-finished container product and relevant components product and relevant components and maintenance service | USD35,000,000 | - | 70.57% |
| 15 | Nantong CIMC Large-sized Tank Co., Ltd. ("Nantong CIMC") | Business entity | Nantong Jiangsu | Nantong Jiangsu | Design, product and sell the tanks and related components ; undertake general contracting projects involving tanks | USD47,700,000 | - | 70.57% |
| 16 | Shenzhen CIMC special car Co., Ltd. (CIMCSV) | Business entity | Shenzhen
Guangdong | Shenzhen
Guangdong | Development, production and sales of various special-use vehicles, as well as relevant components and parts | RMB200,000,000 | - | 63.33% |
| 17 | Qingdao CIMC Special Vehicle Co., Ltd. (QDSV) | Business entity | Qingdao
Shandong | Qingdao
Shandong | Development, production and sales of various special-use vehicles, refitting trailer series as well as relevant components and parts | RMB62,880,000 | 44.34% | 35.25% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|--------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 18 | Foshan CIMC Logistics Equipment Co., Ltd. ("Foshan Logistics") | Business entity | Foshan Guangdong | Foshan Guangdong | Design, production, sale and maintenance of logistics and tooling equipment | RMB3,000,000 | - | 100.00% |
| 19 | Shanghai CIMC Vehicle Logistics Equipments Co., Ltd. (SHL) | Business entity | Shanghai | Shanghai | Development, construction, operation leasing, sales of warehousing and auxiliary facilities | RMB90,204,100 | - | 63.33% |
| 20 | Shenzhen CIMC Wood Co., Ltd. ("CIMC Wood") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Production and sales of floors for containers and related products; relevant service | RMB30,000,000 | 12.00% | 86.76% |
| 21 | CIMC Vehicle (Liaoning) Co., Ltd. (LNVS) | Business entity | Yingkou Liaoning | Yingkou Liaoning | Development and production of various trailer, special-use vehicles as well as components and parts; professional services | RMB60,000,000 | - | 63.33% |
| 22 | Tianjin Port CIMC Zhenhua Logistics Co., Ltd. ("Tianjin Port CIMC") | Business entity | Tianjin | Tianjin | International and domestic freight agency | RMB100,000,000 | - | 61.50% |
| 23 | CIMC-SHAC (Xi'an) Special Vehicle Co., Ltd. (XASV) | Business entity | Xi'an Shaanxi | Xi'an Shaanxi | Development and production of various trailer, special-use vehicles as well as components and parts; professional services | RMB50,000,000 | - | 47.50% |
| 24 | Gansu CIMC Huajun Vehicle Co., Ltd. (GSHJ) | Business entity | Baiyin Gansu | Baiyin Gansu | Refitting of special vehicles, manufacture of trailer and fittings as well as automobile fittings; sales of relevant materials | RMB25,000,000 | - | 63.33% |

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(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|-----------------------|-----------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 25 | Xinhui CIMC Composite Material Manufacture CO., LTD (XHCM) | Business entity | Jiangmen
Guangdong | Jiangmen
Guangdong | Production, development, processing and sales of various composite plate products such as plastics, plastic alloy | RMB129,000,000 | - | 63.33% |
| 26 | Qingdao CIMC Eco-Equipment Co., Ltd. (QDHB) | Business entity | Qingdao
Shandong | Qingdao
Shandong | Development, manufacture, sales and service for garbage treatment truck and the components and parts | RMB137,930,000 | - | 63.33% |
| 27 | Shanghai CIMC Special Vehicle Co., Ltd. (SHCIMCV) | Business entity | Shanghai | Shanghai | Development and production of box trailer, box car as well as relevant mechanical products | RMB10,000,000 | - | 63.33% |
| 28 | CIMC Financing and Leasing Co., Ltd. (CIMC Financing and Leasing) | Business entity | Shenzhen
Guangdong | Shenzhen
Guangdong | Finance lease business; disposal and maintenance for residual value of leased property; advisory and warranty for leasing transaction | USD70,000,000 | 75.00% | 25.00% |
| 29 | Qingdao Refrigeration Transport Equipment Co., Ltd. (QDRV) | Business entity | Qingdao
Shandong | Qingdao
Shandong | Manufacture and sales of various refrigerator truck, insulated truck, other transport equipments and spare parts | USD29,405,000 | - | 76.44% |
| 30 | Nantong CIMC energy equipment Co., Ltd. ("Nantong Energy Equipment") | Business entity | Nantong Jiangsu | Nantong Jiangsu | Manufacturing and repair of large-scale storage tanks, production of various pressurized tank cars, special tanks, tanks and components | RMB69,945,600 | - | 70.57% |

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(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 31 | Shenzhen CIMC – Tianda Airport Support Ltd. (TAS) | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Production and operation of various airport-purpose electromechanical equipment products | USD13,500,000 | - | 54.70% |
| 32 | Xinhui CIMC Wood Co., Ltd. (XHCIMCW) | Business entity | Jiangmen Guangdong | Jiangmen Guangdong | Production and sales of container-purpose wood floor and relevant products of various specifications; providing relevant technical advisory service | USD15,500,000 | - | 100.00% |
| 33 | Inner Mongolia Holonbuir CIMC Wood Co., Ltd. (NMGW) | Business entity | Inner Mongolia | Inner Mongolia | Production and sales of various container wood floors and wood products for transport equipments | RMB259,520,000 | - | 100.00% |
| 34 | Jiaxing CIMC Wood Co., Ltd. (JXW) | Business entity | Jiaxing, Zhejiang | Jiaxing, Zhejiang | Production and sales of container wood floors, wood products for transport equipments and other wood products | USD5,000,000 | - | 88.71% |
| 35 | Shenzhen Southern CIMC Containers Service Co., Ltd. (SCIMCL) | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Engaged in container transshipment, stockpiling, devanning, vanning, maintenance | USD5,000,000 | - | 100.00% |
| 36 | Ningbo CIMC Container Service Co., Ltd. (NBCIMCL) | Business entity | Ningbo Zhejiang | Ningbo Zhejiang | Goods traffic; goods package, sorting, examination and logistics advisory service | RMB30,000,000 | - | 100.00% |

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(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 通过设立或业务合并取得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 37 | CIMC Shenfa Development Co., Ltd. (CIMC SD) | Business entity | Shanghai | Shanghai | Investment, construction and operation for infrastructure; real estate development and operation | RMB204,123,000 | 98.53% | 1.47% |
| 38 | CIMC Vehicle (Xinjiang) Co., Ltd. (S14S) | Business entity | Urumqi, Xinjiang | Urumqi, Xinjiang | Production and sales of mechanical equipments as well as relevant technical development | RMB80,000,000 | – | 63.33% |
| 39 | CIMC Vehicle (Group) Co., Ltd. (H1) | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Development, production and sales of various high-tech and high-performance special vehicle and trailer series | USD212,225,100 | 44.33% | 19.00% |
| 40 | Qingdao CIMC Special Reefer Co., Ltd. (QDCSR) | Business entity | Qingdao Shandong | Qingdao Shandong | Manufacture of various container, semi-finished container product and relevant components and parts | USD39,184,100 | – | 100.00% |
| 41 | Tianjin CIMC Logistics Equipments Co., Ltd. (TJCMCLE) | Business entity | Tianjin | Tianjin | Design, manufacture, sale, maintenance And relevant technical advisory for logistics equipments and relevant components and parts | USD10,000,000 | – | 83.50% |
| 42 | Dalian CIMC Logistics Equipment Co., Ltd. (DLL) | Business entity | Dalian Liaoning | Dalian Liaoning | Design, manufacture, sale, maintenance and relevant technical advisory for international trade, entrepot trade, logistics equipment and pressure vessel | USD20,120,000 | – | 100.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 43 | Chongqing CIMC Logistics Equipments Co., Ltd. (CQLE) | Business entity | Chongqing | Chongqing | Design, manufacture, lease, maintenance of container, special container, other logistic equipment and relevant components and parts | USD8,000,000 | 75.00% | 25.00% |
| 44 | Dalian CIMC Heavy Logistics Equipments Co., Ltd. (DLZH) | Business entity | Dalian Liaoning | Dalian Liaoning | International trade, entrepot trade; design, manufacture, sale, and relevant technical advisory of pressure vessel; | USD45,170,000 | 62.70% | 37.30% |
| 45 | Shenzhen CIMC Intelligent Technology Co., Ltd. ("CIMC Tech") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Design, development, sale, surrogate of electron production software and system | RMB70,294,188 | 59.46% | 8.54% |
| 46 | CIMC Taicang refrigeration equipment logistics Co., Ltd. (TCCRC) | Business entity | Taicang Jiangsu | Taicang Jiangsu | Research and development, production and sale of reefer container and special container | RMB450,000,000 | - | 100.00% |
| 47 | Hunan CIMC Bamboo Industry Development | Business entity | Suining Hunan | Suining Hunan | Manufacturing and sale of bamboo and wood product | RMB28,000,000 | - | 85.60% |
| 48 | CIMC Jidong (Qinhuangdao) Vehicles Manufacture Co., Ltd (QHDV) | Business entity | Qinhuangdao Hebei | Qinhuangdao Hebei | Sale of car and car components and parts | RMB70,000,000 | - | 47.50% |
| 49 | Shenzhen South CIMC Logistics Co., LTD ("South Logistics") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Logistics service | RMB80,000,000 | - | 100.00% |

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(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 通过设立或业务合并取得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|-----------------------|-----------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 50 | CIMC Management and Training(Shenzhen) Co., Ltd. ("CIMC Training") | Business entity | Shenzhen
Guangdong | Shenzhen
Guangdong | Design of marketing activities scheme organisation of academic and commercial conference and exhibition | RMB50,000,000 | 100.00% | - |
| 51 | Yangzhou Lijun Industry and Trade Co., Ltd. ("Yangzhou Lijun") | Business entity | Yangzhou
Jiangsu | Yangzhou
Jiangsu | Production and sales of mechanical equipments and relevant components and parts; technical advisory and other service | RMB70,000,000 | - | 100.00% |
| 52 | Yangzhou Taili Special Equipment Co., Ltd. ("Yangzhou ") | Business entity | Yangzhou
Jiangsu | Yangzhou
Jiangsu | Design, manufacturing and maintenance of containers, board square cabin and; relevant components and parts relevant advisory and service | RMB70,000,000 | - | 100.00% |
| 53 | CIMC Marine Engineering Academic Co., Ltd. ("MEA") | Business entity | Yantai,
Shandong | Yantai,
Shandong | Research and development of marine operation platform and other marine | RMB150,000,000 | 75.00% | 25.00% |
| 54 | Shanghai Lifan Container Service Co., Ltd. ("Shanghai Lifan ") | Business entity | Shanghai | Shanghai | Refitting and maintenance of containers; providing containers information system management and advisory service | RMB1,000,000 | - | 70.00% |
| 55 | CIMC Wood Development Co., Ltd. ("CIMC Xincai") | Business entity | Dongguan
Guangdong | Dongguan
Guangdong | Development, production and sales of wood products for various modern transportation equipment | RMB92,249,100 | 63.71% | 21.24% |

Chapter XIII

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|--------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 56 | Shenzhen CIMC Industry & City Development Co., Ltd. ("CIMC Chancheng") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Real estate development | RMB339,512,100 | - | 61.50% |
| 57 | Yangzhou CIMC grand space Real Estate Development, Ltd ("CIMC Haoyu") | Business entity | Yangzhou Jiangsu | Yangzhou Jiangsu | Real Estate Development, sales and leasing | RMB25,000,000 | - | 76.90% |
| 58 | Ningbo Runxin Container Co., Ltd ("Ningbo Runxin") | Business entity | Ningbo Zhejiang | Ningbo Zhejiang | Cleaning and repair of containers, devanning, vanning | RMB5,000,000 | - | 60.00% |
| 59 | Chengdu CIMC Industrial Park Investment and Development Co., Ltd. ("Chengdu Industrial Park") | Business entity | Chengdu Sichuan | Chengdu Sichuan | Construction, management and lease of storage and relevant facilities; sales of vehicles and accessories | RMB60,000,000 | - | 63.33% |
| 60 | CIMC Finance Company ("Finance Company") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Providing financial service to fellow subsidiaries in the Group | RMB500,000,000 | 100.00% | - |
| 61 | Shenzhen CIMC Investment Holding company ("SZ Investment Holding") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Equity investment; sales and leasing of containers and container property | RMB75,000,000 | 100.00% | - |
| 62 | Zhumadian CIMC Huajun Vehicle Trading Co., Ltd. ("HJQM") | Business entity | Zhumadian, Henan | Zhumadian, Henan | Sales and repair of various vehicles, as well as relevant components and parts | RMB10,000,000 | - | 63.33% |
| 63 | Zhumadian CIMC Huajun Casting Co. Ltd. (HJCAST) | Business entity | Zhumadian, Henan | Zhumadian, Henan | Casting manufacturing for vehicle and mining machinery | RMB297,762,000 | - | 63.33% |

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 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

| Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage |
|------|----------|--------------------|---------------|----------------|---|-------------------------|
| | | | | | | Direct |

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(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 73 | CIMC Cold Chain Research Institute Co., Ltd. ("Cold Chain Research") | Business entity | Qingdao Shandong | Qingdao Shandong | Standard shipping of refrigerated containers and special refrigerated containers | RMB50,000,000 | - | 100.00% |
| 74 | CIMC Cold Chain Investment Co. Ltd. ("Cold Chain Investment") | Business entity | Qingdao Shandong | Qingdao Shandong | Property and project investments | RMB979,000,000 | - | 100.00% |
| 75 | Shenyang CIMC Industrial Park Investment and Development Co., Ltd. ("Shenyang Vehicle Garden") | Business entity | Shenyang Liaoning | Shenyang Liaoning | Investment management, asset trustee management | RMB50,000,000 | - | 63.33% |
| 76 | Shenzhen Tianda CIMC Logistics System Engineering Co Ltd ("Tianda Logistics") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Automatic logistics system engineering, real-time logistics management system | RMB60,000,000 | - | 54.70% |
| 77 | Dongguan Cimc Innovation Industrial Park Development Co., Ltd. ("Dongguan innovation park") | Business entity | Dongguan Guangdong | Dongguan Guangdong | Innovation industrial park investment, real estate development & management | RMB64,516,129 | - | 61.50% |
| 78 | Zhejiang Teng Long Industry Group Co., Ltd. ("Teng Long industry") | Business entity | Quzhou Zhejiang | Quzhou Zhejiang | Sale of wood and bamboo products, bamboo and wood technology research and development, consulting | RMB6,000,000 | - | 43.32% |
| 79 | Guangdong Xinhui Modular Building Manufacturing Co. Ltd. ("Xinhui Modular") | Business entity | Jiangmen Guangdong | Jiangmen Guangdong | Production and sale of integrated houses, prefabricated houses, metal structure | RMB80,000,000 | - | 100.00% |

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(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(2) 通过设立或业务合并取得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 80 | Shanghai Xinzhitu Logistics ("Shanghai Xinzhitu") | Business entity | Shanghai | Shanghai | International Freight transport agents, general cargo transport | RMB10,000,000 | - | 100.00% |
| 81 | Qianhai CIMC leasing (Shenzhen) Co., Ltd. ("Qianhai rental") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Financing lease business
Lease transaction advisory | USD80,000,000 | - | 100.00% |
| 82 | Shenyang CIMC logistics equipment Co., Ltd. ("Shenyang Logistics") | Business entity | Shenyang Liaoning | Shenyang Liaoning | Manufacturing, R&D, sales, installation and advisory of logistics equipment | RMB6,000,000 | - | 100.00% |
| 83 | Langfang CIMC airport equipment Limited company ("Langfang") | Business entity | Langfang Hebei | Langfang Hebei | Production and operation of various airport and port mechanical | RMB10,000,000 | - | 54.70% |
| 84 | Yantai Tiezhongbao steel processing Co., Ltd. ("Yantai Tiezhongbao") | Business entity | Yantai Shandong | Yantai Shandong | R&D, manufacturing leg structure; sales of products | USD9,150,200 | - | 65.00% |
| 85 | Qingdao CIMC Innovation Industrial Park Development Co. Ltd. ("Qingdao Creative Industry Park") | Business entity | Qingdao Shandong | Qingdao Shandong | Development and management of real estate and property; advisory service for real estate and investment | RMB10,000,000 | - | 61.50% |
| 86 | Anhui United Feicai Vehicle Co., Ltd. ("United Feicai") | Business entity | Xuancheng Anhui | Xuancheng Anhui | Production and sales of various special-use vehicles and engineering machinery | RMB158,000,000 | - | 70.06% |
| 87 | Zhenghua (Tianjin) Container Service Co., Ltd. ("Zhenghua Container Service") | Business entity | Tianjin | Tianjin | Domestic and international freight transport agents, and relevant advisory service | RMB85,761,300 | - | 75.00% |

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Annex A

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|--------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 88 | Kunshan CIMC Automatic logistic equipment Co., Ltd. ("Kunshan CIMC") | Business entity | Kunshan Jiangsu | Kunshan Jiangsu | Automatic logistics system, and air cargo handling system | RMB80,000,000 | - | 50.31% |
| 89 | CIMC Tianda (Longyan) Investment Development Co., Ltd. | Business entity | Longyan Fujian | Longyan Fujian | The parking lot investment, asset management and real estate development business | RMB20,000,000 | - | 32.82% |
| 90 | Albert Ziegler GmbH(Beijing) Sales Co., Ltd. ("Ziegler") | Business entity | Beijing | Beijing | Fire trucks, rescue vehicles and relevant accessories, machinery equipment import-export business relevant agent business | EUR1,500,000 | - | 60.00% |
| 91 | Shenzhen CIMC Technology Co., Ltd. ("Shenzhen CIMC Technology") | Business entity | Shenzhen Guangdong | Shenzhen Guangdong | Automatically identify | | | |

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(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 本公司通过收购获得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|---------------------|---------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 95 | Zhenhua (Tianjin) supply chain management co., Ltd ("Zhenhua supply chain management") | Business entity | Tianjin | Tianjin | Warehouse service; Logistic Distribution and loading, unloading, handling services | RMB79,475,000 | - | 75.00% |
| 96 | CIMC Technology Co., Ltd ("Jiangmen CIMC technology") | Business entity | Jiangmen, Guangdong | Jiangmen, Guangdong | Intelligent equipment technology development Industrial investment | RMB50,000,000 | - | 100.00% |
| 97 | Shenzhen CIMC Vehicle Park Investment Management Co., Ltd. ("Shenzhen Vehicle Park") | Business entity | Shenzhen, Guangdong | Shenzhen, Guangdong | Investment management, assets fiduciary management | RMB152,500,000 | - | 63.33% |
| 98 | CIMC Modern Logistics Development Co., Ltd. ("Mordern Logistic") | Business entity | Tianjin | Tianjin | International and domestic freight transport agents, general and CIQ affairs | RMB1,049,226,700 | 100.00% | - |
| 99 | Dongguan Southern CIMC Logistic Equipment Manufacturing Co., Ltd. ("Dongguan Southern CIMC") | Business entity | Dongguan, Guangdong | Dongguan, Guangdong | Manufacture and repair container and containers stacking storage operation | RMB600,000,000 | - | 100.00% |
| 100 | Ningbo CIMC Container Manufacture Co., Ltd. ("Ningbo Container Manufacture") | Business entity | Ningbo | Ningbo | Manufacture, production and sales of containers | RMB500,000,000 | - | 100.00% |
| 101 | Shenzhen CIMC Peng Feng Venture Investment Co., Ltd ("Peng Feng Venture Investment") | Business entity | Shenzhen | Shenzhen | Equity investment | RMB50,000,000 | - | 100.00% |
| 102 | Shenzhen Three HuaZhuoYue investment co., Ltd ("Shenzhen Three HuaZhuoYue") | Business entity | Shenzhen | Shenzhen | Investment holding | RMB30,000,000 | - | 70.06% |

Chapter XIII

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|--------------------|-----------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 103 | Guangdong Hui Zhong Da Laser equipment co., Ltd. ("Guangdong Laser Equipment") | Business entity | Jiangmen | Jiangmen | Manufacture of laser equipment | RMB31,800,000 | 19.01% | 80.99% |
| 104 | Yangzhou CIMC Hongyu Real Estate Co., Ltd. ("Yangzhou Hongyu Real Estate") | Business entity | Yangzhou | Yangzhou | Real estate development; sales and lease of properties, investment in hotels | RMB25,000,000 | - | 61.50% |
| 105 | Yangzhou CIMC Dayu Real Estate Co., Ltd. ("Yangzhou Dayu Real Estate") | Business entity | Yangzhou | Yangzhou | Real estate development; sales and lease of properties | RMB25,000,000 | - | 61.50% |
| 106 | Yangzhou CIMC Huayu Hotel Investment Co., Ltd. ("Yangzhou Huayu Hotel") | Business entity | Yangzhou | Yangzhou | Food and beverage service, corporate management; advisory and investment management | RMB35,000,000 | - | 61.50% |
| 107 | Taicang CIMC Special Logistics Equipment Co. Ltd. (Taicang Special Equipment) | Business entity | Taicang Jiangsu | Taicang Jiangsu | Production and manufacture of special container equipment | USD20,000,000 | - | 100.00% |
| 108 | Zhengzhou Constant Embellish Energy Co., Ltd. ("Zhengzhou Constant Energy") | Business entity | Zhengzhou | Zhengzhou | Asset management | RMB43,000,000 | - | 66.00% |
| 109 | CIMC Enric Investment Holdings (Shenzhen) Ltd. ("Enric Shenzhen Investment Holding") | Business entity | Shenzhen | Shenzhen | Investment holding | USD80,000,000 | - | 70.57% |

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(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 通过设立或业务合并取得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|---------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 110 | Zhangjiagang CIMC Sanctum Cryogenic Equipment Machinery Co., Ltd. ("Sanctum Cryogenic") | Business entity | Zhangjiagang | Zhangjiagang | Manufacture, process and sales of cryogenic equipment, petroleum chemical equipment, mental products and relevant parts; related advisory service | RMB30,000,000 | - | 63.51% |
| 111 | Tianjin Hongxin Berg Leasing Co. Ltd. ("Tianjin Hongxin Berg") | Business entity | Tianjin | Tianjin | Financial leasing | RMB170,000,000 | - | 51.00% |
| 112 | CIMC Multimodal Transport Development Co., Ltd. ("CIMC Multimodal Transport Development") | Business entity | Shenzhen | Shenzhen | Multimodal logistics services | RMB100,000,000 | - | 80.00% |
| 113 | Shenzhen CIMC Xinlian Technology Co., Ltd. ("Shenzhen CIMC Xinlian Technology") | Business entity | Shenzhen | Shenzhen | Software, information technology service | RMB100,000,000 | - | 81.30% |
| 114 | Shenzhen CIMC Tongchuang Supply Chain Co., Ltd. ("Shenzhen CIMC Tongchuang Supply Chain") | Business entity | Shenzhen | Shenzhen | Investment holding | RMB200,000,000 | - | 73.39% |
| 115 | CIMC Offshore Holdings Co., Ltd ("CIMC Offshore Holdings") | Business entity | Shenzhen | Shenzhen | Investment holding | RMB2,335,000,000 | 100.00% | - |
| 116 | Shenzhen CIMC Tianda Jilon aeronautical Refrigeration Co., Ltd ("CIMC Tianda Jilon") | Business entity | Shenzhen | Shenzhen | Production of aviation refrigeration equipment, technology import and export business | RMB50,000,000 | - | 38.29% |

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Table XIII-1

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|--------------------|-----------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 117 | Tianjin Yongwang Machinery Equipment Leasing Co. Ltd. ("Tianjin Yongwang Machinery Equipment") | Business entity | Tianjin China | Tianjin China | Financial service | RMB6,500,000,000 | - | 15.00% |
| 118 | Guangdong CIMC Building Construction Co. Ltd. ("Guangdong CIMC Building Construction") | Business entity | Guangdong | Guangdong | Module supply | RMB50,000,000 | - | 100.00% |
| 119 | CIMC Kaitong Logistics Development Co. Ltd. ("CIMC Kaitong Logistics Development") | Business entity | Nanjing Jiangsu | Nanjing Jiangsu | Logistics service | RMB150,000,000 | - | 51.00% |
| 120 | Jiangsu Kaitong Shipping Co. Ltd. ("Jiangsu Kaitong") | Business entity | Nanjing | Nanjing | Logistics service | RMB20,000,000 | - | 51.00% |
| 121 | CIMC Enric Energy Equipment (Suzhou) Co., Ltd. ("CIMC Enric Energy Equipment (Suzhou)") | Business entity | Jiangsu | Jiangsu | Energy equipment design, RTd13.t design, | | | |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(f) 通过设立或业务合并取得的子公司 (续)

| No. | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|---------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 123 | Jiangsu Trailer Leasing Co., Ltd. ("Jiangsu Trailer Leasing") | Business entity | Jiangsu | Jiangsu | Rental of equipment, and car, Maintenance of leasing equipment and facilities, information system integration services, transportation and unloading services | RMB200,000,000 | - | 50.66% |
| 124 | Guangzhou CIMC Vehicle Sales Co., Ltd. ("Guangzhou CIMC Vehicle Sales") | Business entity | Guangzhou | Guangzhou | Wholesale industry | RMB30,010,000 | - | 63.33% |
| 125 | Zhumadian Zhongji Wanjia Axle Co., Ltd. ("Wanjia axle") | Business entity | Zhumadian | Zhumadian | Design, production, sale and technical service of vehicle axle and other auto parts | RMB20,000,000 | - | 63.33% |
| 126 | Shenzhen Qianhai CIMC Qigu Investment Co., Ltd. ("CIMC Qigu") | Business entity | Shenzhen | Shenzhen | Investment consulting; investment in industrial development; investment in technology projects; Bill information consultation, processing and related system applications maintenance services; receivables collection services Business management consulting | RMB100,000,000 | - | 100% |
| 127 | Shenzhen CIMC Yinggu Supply Chain Co., Ltd ("CIMC Yinggu") | Business entity | Shenzhen | Shenzhen | Research and development, design, sales, leasing, maintenance and residual value processing for packaging equipment, containers and materials domestic freight forwarders | RMB70,000,000 | - | 51.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(续) 通过设立或业务合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|-----------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 128 | CIMC Kaitong (Shaanxi) Logistics Development Co. Ltd. ("Kaitong (Shaanxi)") | Business entity | Xi'an | Xi'an | Logistics service | RMB20,000,000 | - | 30.60% |
| 129 | CIMC Zhenyang (Shanghai) Logistics Co., Ltd. ("Zhenyang (Shanghai)") | Business entity | Shanghai | Shanghai | Logistics service | RMB30,000,000 | - | 100.00% |
| 130 | CIMC Kaitong Jiangsu International Multimodal Transport Co., Ltd ("Kaitong Jiangsu International Multimodal Transport") | Business entity | Nanjing | Nanjing | Logistics service | RMB20,000,000 | - | 33.15% |
| 131 | CIMC Donghan (Shanghai) Shipping Co., Ltd. ("CIMC Donghan") | Business entity | Shanghai | Shanghai | Domestic waterway transport, road freight transport, international cargo transport agency, cargo transport agency international shipping agency, domestic shipping agency | RMB20,000,000 | - | 30.60% |
| 132 | Anjihui Internet of Things Technology (Suzhou) Co., Ltd. ("Anjihui") | Business entity | Suzhou, Jiangsu | Suzhou, Jiangsu | Telecommunication business operations; Development of computer hardware and software, Development of computer network technology, computer system integration, mobile phone software technology | RMB30,000,000 | | 70.75% |

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Chapter XIII

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(RMB'000)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|------------------------|------------------------|--------------------|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 143 | Charm Ray Holdings Limited ("Charm Ray") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD10,000 | - | 70.57% |
| 144 | Charm Beat Enterprises Limited ("Charm Beat") | Business entity | British Virgin Islands | British Virgin Islands | Investment holding | USD50,000 | - | 63.33% |
| 145 | Sharp Vision Holdings Limited ("Sharp Vision") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD1 | - | 100.00% |
| 146 | Sound Winner Holdings Limited ("Sound Winner") | Business entity | British Virgin Islands | British Virgin Islands | Investment holding | USD50,000 | - | 70.57% |
| 147 | Grow Rapid Limited ("Grow Rapid") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD1 | - | 100.00% |
| 148 | Powerlead Holding Ltd. ("Powerlead") | Business entity | British Virgin Islands | British Virgin Islands | Investment holding | USD10 | - | 100.00% |
| 149 | Coöperatie Vela Holding U.A. ("Coöperatie Vela Holding U.A.") | Business entity | Holland | Holland | Investment holding | EUR75,000,000 | - | 70.57% |
| 150 | Vela Holding B.V. ("Vela Holding B.V.") | Business entity | Holland | Holland | Investment holding | EUR90,000 | - | 70.57% |
| 151 | CIMC Financial Leasing (HK) Co Ltd. ("Financial Leasing (HK)") | Business entity | Hong Kong, China | Hong Kong, China | Financial Leasing | HKD500,000 | - | 100.00% |
| 152 | CIMC Offshore Holdings Limited ("CIMC Offshore") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD2,234,855,000
And
RMB1,000,000,000 | - | 85.00% |
| 153 | Coöperatie CIMC U.A. ("COOP") | Business entity | Holland | Holland | Investment holding | EUR25,500,000 | 99.00% | 1.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(附) 截至十二月三十一日止 (附)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|------------------------|------------------------|-----------------------------------|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 154 | North Sea Rigs Holding Ltd ("NSR") | Business entity | British Virgin Islands | British Virgin Islands | Financial leasing project company | USD6,000 | – | 91.50% |
| 155 | Hongkong CIMC Tianda Airport Support Ltd. ("TAS Hongkong") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD1,000,000 | – | 54.70% |
| 156 | CIMC Development (Australia) Pty Ltd ("Development Australia") | Business entity | Australia | Australia | Investment holding | AUD8,000,000 | – | 100.00% |
| 157 | Beacon holdings Group Ltd ("Beacon holdings") | Business entity | British Virgin Islands | British Virgin Islands | Financial Leasing project company | USD2,400 | – | 100.00% |
| 158 | Lihua Logistics Company Limited ("Lihua") | Business entity | Hong Kong, China | Hong Kong, China | Logistics | USD4,850,000 | – | 75.00% |
| 159 | Beacon Pacific Group Ltd. ("Beacon Pacific") | Business entity | British Virgin Islands | British Virgin Islands | Financial Leasing project company | USD42,500,000 | – | 100.00% |
| 160 | CIMC Holdings Australia Pty Ltd ("Holdings Aus") | Business entity | Australia | Australia | Investment holding | AUD8,724,000 | – | 63.33% |
| 161 | CIMC Trailer Poland SP Zoo ("Trailer Poland SP Zoo") | Business entity | Poland | Poland | Investment holding | EUR3,000,000 | – | 63.33% |
| 162 | CIMC MBS Hong Kong Limited ("MBS (HK)") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD50,000 | – | 100.00% |
| 163 | CIMC FORTUNE HOLDINGS LIMITED ("Fortune") | Business entity | Hong Kong, China | Hong Kong, China | Financial Services | USD2,000,000 | 100.00% | – |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Subsidiaries obtained through establishment or business combination (Continued)

(RMB'000)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|---------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 164 | CIMC Modular Building Systems (Australia) Pty Ltd ("MBS AU") | Business entity | Australia | Australia | Module supply | AUD500,000 | - | 100.00% |
| 165 | EVERISE CAPITAL PTY LTD ("EVERISE") | Business entity | Australia | Australia | Investment holding | AUD10 | - | 100.00% |
| 166 | GLOBAL PLUS PTY LTD ("GLOBAL") | Business entity | Australia | Australia | Investment holding | AUD1 | - | 100.00% |
| 167 | HARVEST AVENUE PTY LTD ("HARVEST") | Business entity | Australia | Australia | Investment holding | AUD1 | - | 100.00% |
| 168 | CIMC Intelligence (Hong Kong) Co., Ltd. ("CIMC Intelligence (Hong Kong)") | Business entity | Hong Kong | Hong Kong | R&D Terminal Intelligent Terminal Equipment Provide Internet of Things Solutions | HKD10,000 | - | 68.00% |
| 169 | Adventure Explorer Limited ("Adventure") | Business entity | Hong Kong | Hong Kong | Investment holding | HKD1 | - | 100.00% |
| 170 | Glamor East Limited ("Glamor") | Business entity | Hong Kong | Hong Kong | Investment holding | HKD1 | - | 100.00% |
| 171 | Innovate Alliance Limited ("Innovate") | Business entity | Hong Kong | Hong Kong | Investment holding | HKD1 | - | 100.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(2) The Group does not have subsidiaries obtained through combination under common control.

(3) Subsidiaries acquired through combinations under non-common control

(4) 以下列出了

| Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|---|-----------------|---------------------|---------------------|---|---|-------------------------|----------|
| | | | | | | Direct | Indirect |
| 1 Luoyang CIMC Lingyu Automobile CO., LTD. (LYV) | Business entity | Luoyang, Henan | Luoyang, Henan | Production and sales of passenger car, tank car; machining; operation of import and export business | RMB122,745,700 | – | 45.26% |
| 2 Wuhu CIMC Ruijiang Automobile CO LTD (WHVS) | Business entity | Wuhu, Anhui | Wuhu, Anhui | Development, production and sales of various special vehicles, ordinary mechanical products and metal structure parts | RMB161,786,100 | – | 45.76% |
| 3 Liangshan Dongyue Vehicle Co., Ltd. (LSDYV) | Business entity | Liangshan, Shandong | Liangshan, Shandong | Production and sales of mixing truck, special vehicle and components and parts | RMB90,000,000 | – | 44.39% |
| 4 Qingdao CIMC Container Manufacture Co., Ltd (QDCC) | Business entity | Qingdao, Shandong | Qingdao, Shandong | Manufacture and repair of container, processing and manufacture of various mechanical parts, structures and equipment | USD27,840,000 | – | 100.00% |
| 5 Qingdao CIMC Reefer Container Manufacture Co., Ltd. (QDCRC) | Business entity | Qingdao, Shandong | Qingdao, Shandong | Manufacture and sale of refrigeration and heat preservation device of reefer container, refrigerator car and heat preservation car; providing maintenance service | USD86,846,680 | – | 100.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(续) 通过非同一控制下企业合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|-----------------------|-----------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 6 | Tianjin CIMC North Ocean Container Co., Ltd. (TJCMC) | Business entity | Tianjin | Tianjin | Manufacture and sales of container, vehicles and ships After-sales service of containers | USD15,469,300 | 47.50% | 52.50% |
| 7 | Shanghai CIMC Baowell Industries Co. Ltd (SBWI) | Business entity | Shanghai | Shanghai | Manufacture and sale of container as well as relevant | USD28,500,000 | - | 94.74% |
| 8 | CIMC Vehicle (Shandong) Co. Ltd. (KGR) | Business entity | Zhangqiu, Shandong | Zhangqiu, Shandong | Development and manufacture of special cars and other series products | USD18,930,100 | - | 55.10% |
| 9 | Zhangzhou CIMC Container Co., Ltd. (ZZCIMC) | Business entity | Zhangzhou, Fujian | Zhangzhou, Fujian | Manufacture and sale of container as well as relevant technical advisory | USD23,000,000 | - | 100.00% |
| 10 | Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd. (YZTH) | Business entity | Yangzhou, Jiangsu | Yangzhou, Jiangsu | Development, production and sales of various special-use vehicles, refitting vehicles, special vehicles, trailer series | RMB434,300,800 | - | 63.33% |
| 11 | Zhumadian CIMC Huajun Vehicle Co. Ltd. (HJCMC) | Business entity | Zhuamadian, Henan | Zhumadian, Henan | Refitting of special vehicles, sales of vehicle related materials | RMB205,340,000 | - | 63.33% |
| 12 | Zhangjiagang CIMC Sanctum Cryogenic Equipment Machinery Co., Ltd. (SDY) | Business entity | Zhangjiagang, Jiangsu | Zhangjiagang, Jiangsu | Development, manufacture and installation of deep freezing unit, petrochemical mechanical equipment, tank container, pressure vessel | RMB795,532,000 | - | 70.57% |

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| No. | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|---------------------|---------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 13 | Donghua Container Transportation Service Co., Ltd. (DHCTS) | Business entity | Shanghai | Shanghai | Container cargo devanning, vanning; canvass for cargo; allotment and customs declaration; container maintenance and stockpiling; supply of components | USD4,500,000 | – | 70.00% |
| 14 | Yangzhou Tonglee Reefer Container Co., Ltd. (TLC) | Business entity | Yangzhou, Jiangsu | Yangzhou, Jiangsu | Manufacture and sale of reefer container and special container; providing relevant technical advisory and maintenance service | USD34,100,000 | – | 100.00% |
| 15 | Qingdao Kooll Logistics Co., Ltd (QDHFL) | Business entity | Qingdao, Shandong | Qingdao, Shandong | Container warehousing, stockpiling, devanning, vanning, load and unload, cleaning, maintenance; goods processing | RMB20,000,000 | – | 80.00% |
| 16 | Enric (Bengbu) Compressor Co., Ltd. ("Enric Bengbu") | Business entity | Bengbu, Anhui | Bengbu, Anhui | Manufacturing base of NG compressor and related products | HKD60,808,400 | – | 70.57% |
| 17 | Shijiazhuang Enric Compressor Co., Ltd. (Enric Shijiazhuang) | Business entity | Shijiazhuang, Hebei | Shijiazhuang, Hebei | Manufacturing base of NG compressor and related products | HKD60,808,400 | – | 70.57% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(续) 通过非共同控制方式取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 19 | Enric (Beijing) Energy Technology Co., Ltd. ("Beijing Enric") | Business entity | Beijing | Beijing | Manufacturing and exploiting Energy Equipment integration | HKD40,000,000 | - | 70.57% |
| 20 | CIMC Enric (Jingmen) Energy Equipment | Business entity | Jingmen, Hubei | Jingmen, Hubei | Sales of chemical and gas machineries and equipments as well as after sales services; research and development of energy conservation techniques | HKD50,000,000 | - | 70.57% |
| 21 | Jingmen Hongtu Special Aircraft manufacturing Co., Ltd ("Jingmen Hongtu") | Business entity | Jingmen, Hubei | Jingmen, Hubei | Development and sales of flight vehicle manufacturing techniques, design, production and sales of specialised motor vehicles tanks and pressure vessel | RMB100,000,000 | - | 56.46% |
| 22 | Ningguo CIMC Wood Co., Ltd. (NGCIMCW) | Business entity | Ningguo, Anhui | Ningguo, Anhui | Production and sales of plywood floors decorative floors and related bamboo and wood products; wood purchase for production | RMB9,884,600 | - | 50.97% |
| 23 | Yantai CIMC Raffles offshore Ltd. (CIMC Raffles) | Business entity | Yantai, Shandong | Yantai, Shandong | Construction of dock; Designation, production of ship; production of equipment of pressure and offshore oil platform | RMB2,291,190,000 | - | 83.20% |

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| Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|------|----------|--------------------|---------------|----------------|---|-------------------------|----------|
| | | | | | | Direct | Indirect |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(续) 通过非共同控制下企业合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|------------------|---|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 31 | Zhenhua Logistics Group Co., Ltd. ("Zhenhua Group") | Business entity | Tianjin | Tianjin | Container and cargo Distribution, freight and repairment | USD51,956,000 | - | 75.00% |
| 32 | Xiamen Hongxin Berg Leasing Co. Ltd. ("Hongxin Berg") | Business entity | Xiamen, Fujian | Xiamen, Fujian | Financial leasing and leasing business | USD21,300,000 | - | 51.00% |
| 33 | Tianjin Zhenhua Haijing Logistics Co. Ltd. ("Zhenhua Haijing") | Business entity | Tianjin | Tianjin | Construction and operation of warehousing facilities, container depot | RMB145,000,000 | - | 45.00% |
| 34 | Tianjin Zhenhua International Logistics Co. Ltd. ("Zhenhua IL") | Business entity | Tianjin | Tianjin | Non-vessel carrier, freight agent | RMB133,970,000 | - | 75.00% |
| 35 | Tianjin Zhenhua Customs Broker Co. Ltd. ("Tianjin CB") | Business entity | Tianjin | Tianjin | Customs clearance and related consulting services | RMB12,516,400 | - | 75.00% |
| 36 | Zhenhua International Shipping Agency (Qingdao) Co., Ltd. ("Qingdao Shipping Agency") | Business entity | Qingdao Shandong | Qingdao Shandong | International shipping agency business | RMB10,000,000 | - | 75.00% |
| 37 | Tianjin Zhenhua International Shipping Agency Co. Ltd. ("Tianjin Shipping Agency") | Business entity | Tianjin | Tianjin | International shipping agency business | RMB10,000,000 | - | 75.00% |
| 38 | Shanghai Zhenhua International Shipping Agencies Ltd ("Shanghai Shipping Agencies") | Business entity | Shanghai | Shanghai | International shipping agency business | RMB10,000,000 | - | 75.00% |

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| No. | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|---|-----------------|--------------------|---------------|--------------------------------------|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 39 | Zhenhua Dongjiang(Tianjin) Co.,Ltd. ("Zhenhua Dongjiang (Tianjin)") | Business entity | Tianjin | Tianjin | Common and special freight transport | RMB50,000,000 | – | 75.00% |
| 40 | Tianjin Zhenhua International Trade Bonded Warehousing Tianjin Zhenhua Trade Bonded | Business entity | Tianjin | Tianjin | Cargo transport agency services | | | |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(续) 通过非同一控制下企业合并取得的子公司

| No. | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|-----|--|-----------------|--------------------|------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 46 | Wuhu Xingfu Real Estate Co., Ltd ("Wuhu Xingfu Real Estate") | Business entity | Wuhu, Anhui | Wuhu, Anhui | Sale and agency of various kinds of heavy truck special-use vehicles, engineering machinery, | RMB25,000,000 | - | 45.69% |
| 47 | Ruiji Logistics (Wuhu) Co., Ltd ("WHRJL") | Business entity | Wuhu, Anhui | Wuhu, Anhui | Sale and agency of various kinds of heavy truck special-use vehicles, engineering machinery, | RMB20,492,100 | - | 83.12% |
| 48 | C&C Trucks Co., Ltd ("C&C Trucks") | Business entity | Wuhu, Anhui | Wuhu, Anhui | Sale and agency of various kinds of heavy truck special-use vehicles, engineering machinery, | RMB1,570,000,000 | 70.06% | - |
| 49 | Anhui FeiCai (Group) co., LTD ("Anhui FeiCai (Group)") | Business entity | Xuancheng, Anhui | Xuancheng, Anhui | Manufacture and sale of agricultural vehicles agricultural machinery and relevant accessories | RMB158,000,000 | - | 70.06% |
| 50 | Liaoning Hashenleng Gas liquefaction equipment Co., Ltd ("Hashenleng") | Business entity | Liaoning | Liaoning | Natural gas liquefaction equipment, CBM liquefaction equipment; design, production and sales of relevant auxiliary equipment | RMB50,000,000 | - | 42.34% |
| 51 | Sino-Worlink (Beijing) Investment Co., Ltd ("Sino-Worlink (Beijing) Investment") | Business entity | Beijing | Beijing | Investment management; asset management; Investment advisory; corporate management. | RMB35,000,000 | - | 50.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(4) 通过非同一控制下的企业合并取得的子公司 (续)

| | Name | Category | Registration Place | Main Premises | Business Scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 52 | Sino-Worlink (Beijing) International Logistics Co., Ltd ("Sino-Worlink Beijing Logistics") | Business entity | Beijing | Beijing | International Freight transport agents, general cargo transport | RMB30,000,000 | – | 50.00% |
| 53 | Qingdao Lida Chemical Co., Ltd. ("Qingdao Lida Chemical") | Business entity | Shandong | Shandong | Manufacture and sale of sealant products. Production and sales; of rubber parts, plastic parts and waterborne coatings | RMB30,000,000 | – | 59.47% |
| 54 | Zhengzhou Logistics Automatic System Co., Ltd. ("Zhengzhou Logistics") | Business entity | Zhengzhou, Henan | Zhengzhou, Henan | R&D and manufacture of sorter | RMB20,000,000 | – | 54.70% |
| 55 | Qingdao Lida New Rubber & Plastic Products Co., Ltd. ("Qingdao Lida New Rubber & Plastic Products") | Business entity | Shandong | Shandong | Manufacture and sale of rubber parts, plastic parts, metal structures, R&D of container parts | RMB1,000,000 | – | 59.47% |
| 56 | Sinopacific Offshore & Engineering Co., LTD. ("SOE") | Business entity | Nantong | Nantong | Transportation and storage of liquefied gas in offshore oil and gas industry, manufacturing of high-end equipment such as offshore cranes, marine modules, and cargo systems | RMB1,023,966,800 | – | 70.57% |
| 57 | Beijing CIMC Tiansheng Technology Co., LTD ("Beijing CIMC Tiansheng Technology") | Business entity | Beijing | Beijing | Integrated building | RMB20,000,000 | – | 50.00% |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(11)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|---------------|-------------------|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 58 | CIMC Rolling Stock Australia Pty Ltd. ("CIMC Rolling Stock Australia") | Business entity | Australia | Australia | Sales of vehicles | AUD50,000 | - | 74.33% |
| 59 | 7.717 ing Ene1(alia gy y inpm)T0.945 -1.5 Td[(Pty(Hg)T]s Limitd)3CIMC 7 ing | | | | | | | |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(H) 000 10 10 10 10 (1 100)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|---|-----------------|--------------------|---------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 69 | Hobur Twente B.V. | Business entity | Holland | Holland | Production and sale of oil and components and parts | EUR45,378.02 | – | 100.00% |
| 70 | Burg Service B.V. | Business entity | Holland | Holland | Assembly and repair of road transport vehicle and tank equipment | EUR150,000 | – | 70.57% |
| 71 | LAG Trailers N.V. | Business entity | Belgium | Belgium | Manufacturing trailer | EUR3,245,000 | – | 63.33% |
| 72 | Ziemann Holvrieka N.V. | Business entity | Belgium | Belgium | Production tank equipment | EUR991,600 | – | 70.57% |
| 73 | Immoburg N.V. Bree | Business entity | Belgium | Belgium | Production of road transport vehicles | EUR248,000 | – | 63.33% |
| 74 | Ziemann Holvrieka A/S | Business entity | Denmark | Denmark | Production tank equipment | DKK1,000,000 | – | 70.57% |
| 75 | Direct Chassis LLC ("DCEC") | Business entity | USA | USA | Manufacturing and sales of special vehicles | USD10,000,000 | – | 63.33% |
| 76 | CIMC TGE Gas Investments SA ("TGE SA") | Business entity | Luxemburg | Luxemburg | Investment holding | EUR50,000 | – | 60.00% |
| 77 | TGE Gas Engineering GmbH ("TGE Gas Engineering GmbH") | Business entity | Germany | Germany | Provide EP+CS (Design, Purchase and Construction Supervision) or other technical project services in LNG,LPG and storage and disposal of other | EUR1,000,000 | – | 60.00% |

Chapter XIII

A

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)



For the year ended 31 December 2017
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(H) 000 10 10 10 10 (1 100)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|--|-----------------|--------------------|------------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 87 | Bassoe Technology AB ("Bassoe") | Business entity | Sweden | Sweden | Designation of Marine engineering | SEK1,000,000 | - | 100.00% |
| 88 | CIMC MBS LIMITED ("Verbus Systems") | Business entity | United Kingdom | United Kingdom | Module supply | GBP3,884,303 | - | 100.00% |
| 89 | Zhenhua logistics (Hongkong) Co., Ltd. ("Zhenhua Hongkong") | Business entity | Hong Kong, China | Hong Kong, China | Logistics | USD6,600,000 | - | 75.00% |
| 90 | CIMC Australia Road Transport Equipment Pty Ltd ("Australia Road Transport Equipment Pty") | Business entity | Australia | Australia | Investment holding | AUD8,300,000 | - | 63.33% |
| 91 | Brigantine International Holdings Limited ("Brigantine International Holdings") | Business entity | Hong Kong, China | Hong Kong, China | Investment holding | HKD10,000,000 | - | 70.00% |
| 92 | Brigantine Services Limited ("Hongkong Brigantine Services") | Business entity | Hong Kong, China | Hong Kong, China | Container repair and renovation, container trade | HKD5,000,000 | - | 70.00% |
| 93 | Pteris Global Ltd | Business entity | Singapore | Singapore | Investment holding | SGD104,781,000 | - | 78.14% |
| 94 | Verbus International Limited ("VIL") | Business entity | United Kingdom | United Kingdom | Investment holding | GBP1,108 | - | 100.00% |
| 95 | CIMC Developments Limited ("CDL") | Business entity | United Kingdom | United Kingdom | Project total package | GBP1 | - | 100.00% |

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 (All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Subsidiaries acquired through combinations under non-common control (Continued)

(RMB'000)

| | Name | Category | Registration Place | Main Premises | Business scope | Share capital issued and information of bonds | Shareholding percentage | |
|----|------------------------------|-----------------|--------------------|----------------|--|---|-------------------------|----------|
| | | | | | | | Direct | Indirect |
| 96 | Verbus Systems Ltd ("VSL") | Business entity | United Kingdom | United Kingdom | Module supply | GBP1 | - | 100.00% |
| 97 | Briggs Group Limited | Business entity | United Kingdom | United Kingdom | Beer, distillation, pharmaceutical, yeast, biofuels and other industries engineering design and some key equipment | GBP3,385,000 | - | 70.57% |
| 98 | Retlan Manufacturing Limited | Business entity | United Kingdom | United Kingdom | Production semi-trailer | GBP692,041 | - | 63.33% |

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(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(4) Subsidiaries with significant minority interests

| | Minority interests | Net Profit attribute to minority interests in 2017 | Dividends distributed to minority interests in 2017 | Grand total Minority Interests on 31 December 2017 |
|----------------|--------------------|--|---|--|
| Enric | 29.43% | 154,391 | 2,022 | 1,825,025 |
| CIMC Offshore | 15.00% | (402) | – | 917,757 |
| CIMC Chancheng | 38.50% | 88,873 | – | 944,003 |

Core financial information of aforementioned significant but not wholly-owned subsidiaries are as follows:

| | As at 31 December 2017 | | | | | |
|----------------|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Enric | 10,305,316 | 3,861,903 | 14,167,219 | 7,668,853 | 637,388 | 8,306,241 |
| CIMC Offshore | 986,501 | 4,190,144 | 5,176,645 | 62,290 | – | 62,290 |
| CIMC Chancheng | 4,624,339 | 344,794 | 4,969,133 | 2,361,595 | 268,963 | 2,630,558 |

| | As at 31 December 2016 | | | | | |
|----------------|------------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Enric | 9,542,728 | 3,345,695 | 12,888,423 | 5,735,979 | 1,850,379 | 7,586,358 |
| CIMC Offshore | 9,322 | 4,484,063 | 4,493,385 | 71,171 | – | 71,171 |
| CIMC Chancheng | 2,923,684 | 170,114 | 3,093,798 | 1,446,879 | 214,996 | 1,661,875 |

| | 2017 | | | |
|----------------|------------|------------|----------------------------|--------------------------------------|
| | Revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Enric | 10,671,276 | 420,181 | 528,138 | 845,097 |
| CIMC Offshore | – | (2,312) | (2,312) | (1,020,381) |
| CIMC Chancheng | 1,006,791 | 194,693 | 195,252 | (1,283,567) |

| | 2016 | | | |
|----------------|-----------|------------|----------------------------|--------------------------------------|
| | Revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Enric | 7,968,403 | (936,680) | (1,035,414) | 1,079,743 |
| CIMC Offshore | – | (16,341) | (16,341) | 6 |
| CIMC Chancheng | 722,953 | 168,834 | 168,834 | (8,384) |

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(5) Significant partial disposal of subsidiary equity in current year (not losing control)

There is no significant partial disposal of subsidiary equity in current year (not losing control).

(6) The acquisition of significant minority interests in the current year.

- (i) As at 17 July 2017, the Group's subsidiary CIMC Chancheng, introduced strategic investor Country Garden Real Estate through capital increase and share expansion. According to the agreement, Country Garden Real Estate increases RMB926,322,000 from CIMC Chancheng, it will hold a 25% equity interests of CIMC Chancheng upon finishing the agreement. After the capital increase was completed, the Group's shareholding percentage of CIMC Chancheng was reduced from 82% to 61.5%.

The difference between the consideration and the share of the identifiable net assets of the subsidiary amounting to RMB301,846,000, was recorded in capital reserve.

- (ii) As at December 7, 2016, Advanced Manufacturing Industry Investment Fund (Limited Partnership) ("Advanced Manufacturing Industry Investment Fund") entered into a capital increase agreement with CIMC HK and CIMC Offshore, injection RMB984,258,000 to CIMC Offshore to acquire 15% equity in CIMC Offshore. The increase in capital was completed in December 2017. The Group held equity interests of CIMC Offshore from 100% to 85%.

The difference between the consideration and the share of the identifiable net assets of the subsidiary amounting to RMB698,253,000, was recorded in capital reserve.

- (iii) As at May 5, 2017, The minority shareholders of the Company's subsidiary, Modern Logistics and CIMC Kaitong Logistics Development increased capital to RMB150 million at the same time, and maintained the original Shareholding percentage unchanged. Minority shareholders increased their capital to CIMC Kaitong Logistics Development by RMB34,300,000.

- (iv) As at March 28, 2017, the Company and the minority shareholder Shenzhen Jiushi Investment Management Company entered into an equity transfer agreement to acquire a 3.82% stake in C&C Trucks with a consideration of RMB81,616,000. The Group's shareholding percentage increased from 66.24% to 70.06% after the acquisition.

The difference between the consideration and the share of the identifiable net assets of the subsidiary amounting to RMB78,103,000, which reduced capital reserve.

- (v) As at July 2017, The Group's subsidiary CIMC Chancheng and Shunde furi entered into an equity transfer agreement to acquire a 40% stake in Yangjiang furi, for a consideration of RMB169,024,000. Upon the completion of the acquisition, CIMC Chancheng holds a 100% stake in Yangjiang furi real estate development.

The difference between the consideration and the share of the identifiable net assets of the subsidiary amounting to RMB13,766,000, was recorded in capital reserve.

- (vi) As at July 14, 2017, SZ Investment, a subsidiary of the Company, entered into an equity transfer agreement and the consideration was RMB362,787,000.

The difference between the consideration and the share of the identifiable net assets of the subsidiary amounting to RMB215,848,000, which reduced capital reserve.

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates and joint ventures

(1) Basic information of major associates and joint ventures

| | Main Premises | Registration Place | Nature of business | Strategic for the group or not | Shareholding percentage-Direct | Shareholding percentage-Indirect |
|--------------------------|---------------------------|----------------------------|--|--------------------------------|--------------------------------|----------------------------------|
| Joint ventures – | | | | | | |
| NKY Zhenhua | Tianjin | Tianjin | Logistics support business | No | – | 38.25% |
| Y&C Engine | Wuhu Anhui | Wuhu Anhui | Manufacture and sales of heavy-duty engines and components and parts | Yes | – | 35.03% |
| Associates – | | | | | | |
| LiHua Energy | Bazhou, Hebei | Bazhou, Hebe | Gas warehousing and transportation business | No | – | 15.58% |
| Shanghai Feng – yang TSC | Shanghai
Houston (USA) | Shanghai
Cayman Islands | Real estate
Land and sea drilling platform business | Yes
Yes | –
– | 40.00%
13.12% |
| Jiahua Shipping | Hong Kong | Hong Kong | Logistics support business | No | – | 30.00% |
| China fire safety | Chengdu | Cayman Islands | Fire equipment | Yes | – | 30.00% |
| Shouzhong Investment | Beijing | Beijing | Investment management | No | – | 45.00% |

The equity mentioned above is measured by equity method.

(2) Core financial information of major joint venture

| | NKY Zhenhua | | Y&C Engine | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Cash at bank and on hand | 40,106 | 47,255 | 199,925 | 99,014 |
| Other current assets | 15,253 | 22,113 | 359,758 | 221,598 |
| Total current assets | 55,359 | 69,368 | 559,683 | 320,612 |
| Total non-current assets | 101,035 | 109,095 | 707,161 | 625,900 |
| Total assets | 156,394 | 178,463 | 1,266,844 | 946,512 |
| Current liabilities | 24,216 | 27,429 | 809,039 | 494,577 |
| Non-current liabilities | 2,503 | 3,129 | 32,253 | 60,382 |
| Total liabilities | 26,719 | 30,558 | 841,292 | 554,959 |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates and joint ventures (Continued)

(2) Core financial information of major joint venture (Continued)

| | NKY Zhenhua | | Y&C Engine | |
|--|------------------|------------------|------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Minority shareholders' equity | - | - | - | - |
| Total equity attributable to shareholders of the Company | 129,675 | 147,905 | 425,552 | 391,553 |
| Share holding ratio | 51% | 51% | 50% | 50% |
| Net assets proportion calculated by shareholding ratio(i) | 66,134 | 75,432 | 212,776 | 195,777 |
| Carrying amount of equity investment in the joint ventures | 66,134 | 75,432 | 212,776 | 195,777 |

| | NKY Zhenhua | | Y&C Engine | |
|--|------------------|------------------|------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Revenue | 166,653 | 145,020 | 1,462,555 | 554,056 |
| Financial cost | 4 | (526) | 27,571 | 13,637 |
| Income tax expenses | 921 | 1,451 | - | - |
| Net profit | 284 | 3,675 | 33,998 | 3,891 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 284 | 3,675 | 33,998 | 3,891 |
| Dividends received from the joint ventures this year | 9,443 | 1,781 | - | - |

- (i) The group calculated the portion of assets by shareholding ratio, on the basis of the amount attributable to the Company in consolidated financial statements of the joint ventures. The amount in consolidated financial statements of joint ventures takes the fair value of assets and liabilities of the joint ventures, and the effects of the uniform accounting policies into consideration.

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates and joint ventures (Continued)

(3) Core financial information of major associates

| | LiHua Energy | | Shanghai Fengyang | | TSC | | Jiahua Shipping | | China Fire Safety | | Shouzhong Investment | |
|--------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|----------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Cash at bank and on hand | 8,772 | 44,908 | 30,425 | 104,944 | 90,238 | 190,589 | 96,552 | 96,552 | 124,707 | 132,576 | 24,608 | 16,413 |
| Other current assets | 940,834 | 833,315 | 819,426 | 462,820 | 2,630,219 | 2,739,011 | 46,822 | 46,822 | 661,697 | 468,249 | 291,230 | 176,743 |
| Total current assets | 949,606 | 878,223 | 849,851 | 567,764 | 2,720,457 | 2,929,600 | 143,374 | 143,374 | 786,404 | 600,825 | 315,838 | 193,156 |
| Total non-current assets | 705,772 | 688,979 | 50,775 | 45,782 | 631,744 | 776,956 | 1,089,581 | 1,089,581 | 787,180 | 724,783 | 109,141 | 69,577 |
| Total Assets | 1,655,378 | 1,567,202 | 900,626 | 613,546 | 3,352,201 | 3,706,556 | 1,232,955 | 1,232,955 | 1,573,584 | 1,325,608 | 424,979 | 262,733 |
| Current liabilities | 679,996 | 702,131 | 623,129 | 354,154 | 1,957,621 | 1,949,175 | 152,448 | 152,448 | 331,117 | 241,436 | 11,583 | 1,010 |
| Non-current liabilities | 255,035 | 209,256 | - | - | 109,804 | 313,488 | 658,995 | 658,995 | - | - | - | - |
| Total liabilities | 935,031 | 911,387 | 623,129 | 354,154 | 2,067,425 | 2,262,663 | 811,443 | 811,443 | 331,117 | 241,436 | 11,583 | 1,010 |

| | LiHua Energy | | Shanghai Fengyang | | TSC | | Jiahua Shipping | | China Fire Safety | | Shouzhong Investment | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|----------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| Minority shareholders' equity | - | - | - | - | 1,893 | 13,182 | - | - | - | - | - | - |
| Total equity attributable to shareholders of the Company | 720,347 | 655,815 | 277,497 | 259,392 | 1,282,883 | 1,430,711 | 421,512 | 421,512 | 1,242,467 | 1,084,172 | 413,396 | 261,723 |
| Adjustments according to fair value of net identifiable assets and Goodwill | - | - | 1,085 | 1,085 | 155,764 | 155,764 | - | - | 533,410 | 533,410 | - | - |
| Total equity attributable to shareholders of the company (adjusted) | 720,347 | 655,815 | 278,582 | 260,477 | 1,438,647 | 1,586,475 | 421,512 | 421,512 | 1,775,877 | 1,617,582 | 413,396 | 261,723 |
| Share holding ratio | 15.58% | 15.58% | 40.00% | 40.00% | 13.12% | 13.42% | 30.00% | 30.00% | 30.00% | 30.00% | 45.00% | 45.00% |
| Net assets portion calculated by share holding ratio (i) | 112,230 | 102,176 | 111,433 | 104,191 | 193,066 | 212,905 | 126,454 | 126,454 | 532,763 | 485,275 | 186,028 | 117,775 |
| Carrying amount of equity investment in the associates | 112,230 | 102,176 | 111,433 | 104,191 | 193,066 | 212,905 | 126,454 | 126,454 | 532,763 | 485,275 | 186,028 | 117,775 |
| Fair value of investments on associates with public offer | - | - | - | - | 65,937 | 92,144 | - | - | 383,549 | 300,995 | - | - |

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates and joint ventures (Continued)

(3) Core financial information of major associates (Continued)

| | LiHua Energy | | Shanghai Fengyang | | TSC | | Jiahua Shipping | | China Fire Safety | | Shouzhong Investment | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | 31 December
2017 | 31 December
2016 | 31 December
2017 | 31 December
2016 | 31 December
2017 | 31 December
2016 | 31 December
2017 | 31 December
2016 | 31 December
2017 | 31 December
2016 | 31 December
2017 | 31 December
2016 |
| Revenue | 1,283,017 | 1,228,536 | 18,474 | 66,867 | 308,547 | 1,006,280 | 67,924 | 67,924 | 528,555 | 471,252 | - | - |
| Net profit/(loss) | 47,542 | 72,160 | 18,106 | 11,758 | (24,642) | 30,147 | 96,543 | 96,543 | (7,030) | 30,427 | (26,104) | (4,944) |
| Other comprehensive income | - | - | - | - | - | (1,507) | - | - | 54,827 | 2,818 | - | - |
| Total comprehensive income | 47,542 | 72,160 | 18,106 | 11,758 | (24,642) | 28,640 | 96,543 | 96,543 | 47,797 | 33,245 | (26,104) | (4,944) |
| Dividends received from the associates this year | - | - | - | (220,000) | - | - | - | - | - | - | - | - |

- (i) The group calculated the portion of assets by shareholding ratio, on the basis of the amount attributable to the Company in consolidated financial statements of the associates. The amount in consolidated financial statements of associates takes the fair value of assets and liabilities of the associates, and the effects of the uniform accounting policies into consideration.

TSC is a company listed on the Stock Exchange of Hong Kong Limited, and its announcement day is late than CIMC's. After the Group's assessment, they consider TSC's operating results are not significant to the Group. So the TSC's operating results disclosed above is projected from its semi-annual report. And the Group will make adjustments based on its announcement in next year.

The management failed to obtain the December 31, 2017 financial statements of Jiahua Shipping, which is a non-listed company. After management evaluation, it is considered that its business results do not have a significant impact on the operation of the group.

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VI. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates and joint ventures (Continued)

(4) Summary of information of insignificant associates and joint ventures

| | 2017 | 2016 |
|--|----------|---------|
| Joint ventures: | | |
| Total carrying amount of investments on 31 December 2017 | 246,402 | 229,293 |
| Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures: | | |
| – Net profit (i) | 19,624 | 16,828 |
| Other comprehensive income (i) | – | – |
| Total comprehensive income | 19,624 | 16,828 |
| Associates: | | |
| Total carrying amount of investments on 31 December 2017 | 611,209 | 512,941 |
| Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures: | | |
| – Net Profit (i) | (29,235) | 10,760 |
| Other comprehensive income (i) | – | – |
| Total comprehensive income | (29,235) | 10,760 |

(i) The amount of net profit and other comprehensive income takes the fair value of identifiable assets and liabilities, and the effects of the uniform accounting policies into consideration.

(5) Excess deficit of associates and joint ventures

There are no excess deficit of associates or joint ventures in 2017.

VII. EQUITY OF THE STRUCTURED BODY NOT INCLUDED IN THE CONSOLIDATION RANGE OF THE CONSOLIDATED FINANCIAL STATEMENTS

There is no equity of the structured body not included in the consolidation range of the consolidated financial statements.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information of other related parties

| Company name | |
|---|---------------------------------------|
| SUMITOMO CORPORATION | Minority shareholder of subsidiary |
| Shanxi Heavy Duty Automobile | Minority shareholder of subsidiary |
| Orient International | Subsidiary of significant shareholder |
| FML | Subsidiary of significant shareholder |
| Gasfin | Minority shareholder of subsidiary |
| FCC | Subsidiary of significant shareholder |
| Asahi Trading Co., Ltd | Minority shareholder of subsidiary |
| Oriental International Container (Jinzhou) Limited | Subsidiary of significant shareholder |
| FCS | Subsidiary of significant shareholder |
| FCI | Subsidiary of significant shareholder |
| Eastern International Container (Guangzhou) Limited | Subsidiary of significant shareholder |

Note: Significant shareholders represent shareholders holding more than 5% (inclusive) of the Company's shares.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions

The following transactions with related parties were conducted under normal commercial terms or relevant agreements.

(1) Purchase of goods and receiving of services

The Group

| Name | Nature of the transaction | 2017
Amount | 2016
Amount |
|------------------------------|---------------------------|------------------|----------------|
| Y&C Engine | Purchase of goods | 557,315 | 301,945 |
| Shanxi Heavy Duty Automobile | Purchase of goods | 236,412 | 101,317 |
| Ningguo Guangshen | Purchase of goods | 149,041 | 67,117 |
| Qingchen Bamboo | Purchase of goods | 136,819 | 42,536 |
| Xuzhou Wood | Purchase of goods | 126,447 | 65,225 |
| Zhejiang Xinlong Bamboo | Purchase of goods | 105,467 | – |
| Senjv Shanghai | Purchase of goods | 66,700 | 76,521 |
| SUMITOMO CORPORATION | Purchase of goods | 14,797 | 13,670 |
| TSC | Purchase of goods | 7,113 | 53,877 |
| Asahi Trading Co., Ltd | Purchase of goods | 6,313 | 19,117 |
| Other related parties | Purchase of goods | 20,456 | 20,440 |
| Sub-total | Purchase of goods | 1,426,880 | 761,765 |
| Other related parties | Receiving of services | 26,151 | 7,369 |

The Company

For emoluments of the directors, supervisors and senior management of the Company, please refer to Note VIII.5(4).

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Sales of goods and rendering of services

The Group

| Name | Nature of the transaction | 2017
Amount | 2016
Amount |
|---|---------------------------|------------------|----------------|
| Shanxi Heavy Duty Automobile | Purchase of goods | 733,497 | 247,240 |
| OOS-International B.V. | Purchase of goods | 385,375 | – |
| FCI | Purchase of goods | 372,760 | – |
| FCS | Purchase of goods | 171,003 | – |
| SUMITOMO CORPORATION | Purchase of goods | 108,475 | 159,688 |
| Zhejiang Xinlong Bamboo | Purchase of goods | 78,943 | – |
| Orient International | Purchase of goods | 74,953 | 42,518 |
| FML | Purchase of goods | 56,913 | 124,800 |
| Eastern International Container (Guangzhou) | Purchase of goods | 46,354 | 8,866 |
| Ningxia Changming | Purchase of goods | 44,589 | 8,645 |
| FCC | Purchase of goods | 40,179 | 22,700 |
| Oriental International Container
(Jinzhou) Limited | Purchase of goods | 22,890 | 19,454 |
| NYK Zhenhua | Purchase of goods | 602 | 228 |
| Guangxi Southern Logistic | Purchase of goods | – | 8,359 |
| Other related parties | Purchase of goods | 45,455 | 18,911 |
| Sub-total | Purchase of goods | 2,181,988 | 661,409 |
| Other related parties | Rendering of services | 31,365 | 31,404 |

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Financing

The Group

| Name | Amount | Starting date | Ending date | Interest income earned/
interest expense recognized in 2017 | Note |
|---------------------------|---------|---|---|--|---|
| Financing received | | | | | |
| Gasfin | 51,329 | 19 September 2008 | Repayment date not fixed | 1,040 | Loans for Proportionate shareholder operation |
| | 51,329 | | | | |
| Financing provided | | | | | |
| Run Yu Real Estate | 331,250 | 31 December 2012 | Repayment date not fixed | 3,460 | Loans for Proportionate shareholder operation |
| Shanghai Fengyang | 34,204 | 25 December 2007 | Repayment date not fixed | - | Loans for Proportionate shareholder operation |
| Shanghai Xinbaiqin | 12,408 | 20 October 2017 | 20 January 2018 | 108 | Loans for shareholder operation |
| Nantong New Atlantic | 13,813 | 24 January 2017
27 February 2017
27 December 2017 | 24 January 2018
27 February 2018
27 June 2018 | 918 | Loans for shareholder operation |
| Xinyang Wood Industry | 4,075 | 20 June 2006 | Repayment date not fixed | - | Loans for proportionate shareholder operation |
| | 395,750 | | | | |

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions

- (4) The Company adopted a new share options scheme since 28 September 2010 (see Note IX). Details of unexercised share options granted to key management personnel as at 31 December 2017 are as follows:

| Name | Position | Number of granted share options (in'0000) |
|---------------|--|---|
| Mai Boliang | President, Executive Director | 285 |
| Wu Fapei | Vice Chairman | 75 |
| Li Yinhui | Vice Chairman | 75 |
| Yu Ya | Vice Chairman | 65 |
| Liu Xuebin | Vice Chairman | 100 |
| Zhang Baoqing | Vice Chairman | 75 |
| Gao Xiang | Vice Chairman | 38 |
| Zeng Han | General Manager of Finance Management Department | 29 |
| Yu Yuqun | Secretary of the Board | 75 |
| Total | | 817 |

Some key management personnel were not only granted the above share options of the Company but also were granted share options of Enric, the subsidiary of the Company. Details of unexercised share options granted to key management personnel as at 31 December 2017 are as follows:

| Name | Position | Number of granted share options (in'0000) |
|-----------|---------------------------------------|---|
| Wu Fapei | Vice Chairman | 50 |
| Yu Ya | Vice Chairman | 25 |
| Gao Xiang | Vice Chairman | 190 |
| Zeng Han | General Manager of Finance Department | 25 |
| Yu Yuqun | Secretary of the Board | 129.8 |
| Total | | 419.8 |

Note: After deliberation at the first meeting of the eighth session of the Board of Directors of the Company in 2017, Mr. Jin Jianlong resigned due to the expiration and also appointed Mr. Zeng Han as general manager of the company's financial management department.

On 31 December 2017, Mr. Jin Jianlong had 516,000 outstanding options of the Company and 1.4 million unexercised options of Enric.

For detailed information for fair value of the granted share options aforesaid, please refer to Note IX.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(ii) Directors', supervisor's and senior management personnel's emoluments for the year ended 31 December 2017 are as follows:

Directors', supervisor's and senior management personnel's emoluments for the year ended 31 December 2017 are as follows:

| Name | Remuneration | Emoluments for other management service of the Company or subsidiaries | | | | Total |
|--------------|--------------|--|---------|-------|--------|-------|
| | | Salary and allowance | Pension | Bonus | Others | |
| Directors | | | | | | |
| Wang Hong | - | - | - | - | - | - |
| Wang Yuhang | - | - | - | - | - | - |
| Mai Boliang | - | 2,856 | 71 | 1,296 | 452 | 4,675 |
| Wang Zhixian | - | - | - | - | - | - |
| Hu Xianfu | Note (i) | - | - | - | - | - |
| Liu Chong | - | - | - | - | - | - |
| Pan Chengwei | 200 | - | - | - | - | 200 |
| Wang Guixun | 200 | - | - | - | - | 200 |
| Pan Zhengqi | 200 | - | - | - | - | 200 |
| Sub-total | 600 | 2,856 | 71 | 1,296 | 452 | 5,275 |

Note (i) : On 26 September 2017, with the approval of the Company's 1st Extraordinary General Meeting in 2017, Mr. Hu Xianfu was appointed as the Non-executive Director of the 8th Board of Directors of the Company.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

Directors', supervisor's and senior key management personnel's emoluments for the year ended 31 December 2017 are as follows (Continued):

| Name | Remuneration | Emoluments for other management service of the Company or subsidiaries | | | | Total |
|--------------------|--------------|--|---------|-------|--------|-------|
| | | Salary and allowance | Pension | Bonus | Others | |
| Supervisors | | | | | | |
| Xiong Bo | - | 245 | 42 | 48 | 13 | 348 |
| Zhang Mingwen | - | - | - | - | - | - |
| Lv Shengzhou | Note (ii) | - | - | - | - | - |
| Wang Hongwen | Note (ii) | - | - | - | - | - |
| Sub-total | - | 245 | 42 | 48 | 13 | 348 |

Note (ii) : On 26 September 2017, approved by the company's first Extraordinary General Meeting in 2017, Mr. Lv Shengzhou resigned due to the expiration of his term of the office of the Supervisor, and Mr. Wang Hongwen was recommended by the Supervisory Committee to be the supervisor of the representative shareholders of the 8th Supervisory Committee.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(ii) Directors', supervisor's and senior key management personnel's emoluments for the year ended 31 December 2017 are as follows (Continued):

Directors', supervisor's and senior key management personnel's emoluments for the year ended 31 December 2017 are as follows (Continued):

| Name | Remuneration | Emoluments for other management service of the Company or subsidiaries | | | | Total |
|-------------------------|------------------|--|---------|-------|--------|-------|
| | | Salary and allowance | Pension | Bonus | Others | |
| Other Senior management | | | | | | |
| Wu Fapei | - | 1,322 | 113 | 700 | 34 | 2,169 |
| Li Yinhui | - | 828 | 110 | 500 | 34 | 1,472 |
| Liu Xuebin | - | 1,376 | 113 | 660 | 34 | 2,183 |
| Zhang Baoqing | - | 1,322 | - | 900 | - | 2,222 |
| Yu Ya | - | 1,006 | - | 828 | - | 1,834 |
| Gao Xiang | - | 1,497 | 105 | 827 | 26 | 2,455 |
| Jin Jianlong | Note (iii) | - | - | - | - | 330 |
| Zeng Han | Note (iii), (iv) | - | 67 | 312 | 26 | 1,033 |
| Yang Rong | | | | | | |

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(4) 本公司董事、监事及高级管理人员于2016年度的薪酬如下：

Directors', supervisor's and senior key management personnel's emoluments for the year ended 31 December 2016 are as follows:

| Name | Remuneration | Emoluments for other management
service of the Company or subsidiaries | | | | Total | |
|------------------|--------------|---|---------|-------|--------|-------|-------|
| | | Salary and
allowance | Pension | Bonus | Others | | |
| Directors | | | | | | | |
| Wang Hong | - | - | - | - | - | - | |
| Zhang Liang | Note (i) | - | - | - | - | - | |
| Wang Yunhang | Note (ii) | - | - | - | - | - | |
| Mai Boliang | - | 2,660 | 64 | 2,805 | 444 | 5,973 | |
| Wu Shuxiong | Note (i) | - | - | - | - | - | |
| Wang Zhixian | Note (iii) | - | - | - | - | - | |
| Liu Chong | Note (ii) | - | - | - | - | - | |
| Pan Chengwei | - | 200 | - | - | - | 200 | |
| Wang Guixun | - | 200 | - | - | - | 200 | |
| Li Kejun | Note (i) | - | - | - | - | - | |
| Pan Zhengqi | Note (ii) | 200 | - | - | - | 200 | |
| Sub-total | | 600 | 2,660 | 64 | 2,805 | 444 | 6,573 |

Note (i): On 31 May 2016, approved by the 2015 annual general meeting of the Company, Mr. Zhang Liang, Mr. Wu Shuxiong and Mr. Li Kejun resigned due to expiration of their terms of office.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(4) Directors', supervisor's and senior management personnel's emoluments for the year ended 31 December 2016 are as follows (Continued):

Directors', supervisor's and senior management personnel's emoluments for the year ended 31 December 2016 are as follows (Continued):

| Name | Remuneration | Emoluments for other management service of the Company or subsidiaries | | | | Total |
|--------------------|------------------|--|---------|-------|--------|-------|
| | | Salary and allowance | Pension | Bonus | Others | |
| Supervisors | | | | | | |
| He Jiale | Note (iii) | - | - | - | - | - |
| Xiong Bo | | - | 236 | 39 | 54 | 341 |
| Lin Wuliu | Note (iii), (iv) | - | - | - | - | - |
| Zhang Mingwen | Note (iii) | - | - | - | - | - |
| Lv Shengzhou | Note (iv) | - | - | - | - | - |
| Sub-total | | - | 236 | 39 | 54 | 341 |

Note (ii): On 31 May 2016, approved by the 2015 annual general meeting of the Company, Mr. Wang Yuhang was proposed by the board of directors as the vice chairman and non-executive director of the eighth session of the board of directors. Mr. Liu Chong was appointed as the non-executive director of the eighth session of the board of directors. Mr. Pan Zhengqi was appointed as an independent non-executive director of the eighth session of the Board of Directors.

Note (iii): On 31 May 2016, approved by the 2015 annual general meeting of the Company, Mr. Wang Zhixian and Mr. He Jiale left the office due to the expiration of their term of office. Mr. Wang Zhixian was appointed by the board of directors as the non-executive director of the eighth session of the Board of Directors, Mr. Lin Wuliu, Mr. Zhang Mingwen was proposed by the board of supervisors as the shareholder representative supervisor of the eighth session of the supervisory committee.

Note (iv): On 20 December 2016, approved by the Company's 1st Extraordinary General Meeting in 2016, Mr. Lin Wuliu resigned due to job change and appointed Mr. Lv Shengzhou as supervisor of the 8th Supervisory Committee of the Company.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(4) 董事、监事及高级管理人员 2016 年度薪酬如下 (续)

Directors', supervisor's and senior management personnel's emoluments for the year ended 31 December 2016 are as follows (Continued):

| Name | Remuneration | Emoluments for other management service of the Company or subsidiaries | | | | Total |
|--------------------------------|--------------|--|---------|--------|--------|--------|
| | | Salary and allowance | Pension | Bonus | Others | |
| Other Senior Executives | | | | | | |
| Wu Fapei | - | 1,325 | 107 | 1,220 | 31 | 2,683 |
| Li Yinhui | - | 886 | 105 | 1,130 | 31 | 2,152 |
| Liu Xuebin | - | 1,379 | 107 | 1,220 | 31 | 2,737 |
| Zhang Baoqing | - | 1,325 | 92 | 1,220 | 25 | 2,662 |
| Yu Ya | - | 864 | - | 1,220 | - | 2,084 |
| Gao Xiang | - | 1,439 | 89 | 620 | 22 | 2,170 |
| Jin Jianlong | - | 1,325 | - | 1,140 | - | 2,465 |
| Yang Rong | Note (v) | 1,013 | 71 | 660 | 31 | 1,775 |
| Yu Yuqun | - | 1,444 | 64 | 1,100 | 31 | 2,639 |
| Sub-total | - | 11,000 | 635 | 9,530 | 202 | 21,367 |
| Total | 600 | 13,896 | 738 | 12,389 | 658 | 28,281 |

Note (v): After the review of the second meeting of the seventh session of the Board of Directors of the Company in 2016, Ms. Zeng Beihua resigned due to the expiration of her term of office and also appointed Ms. Yang Rong as the general manager of the company's fund management department.

The five individuals who received the highest are included aforesaid in 2016.

Other benefits mainly consists of housing funds, pensions, medical insurance, etc.

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Other related party transactions (Continued)

(iii) Compensation for directors with terminated appointment

In 2017, there was no compensation for directors with terminated appointment from the Company and the subsidiaries. (2016: Nil).

(iv) Consideration paid to third parties for service of directors

In 2017, there was no consideration paid to third parties for service of directors (2016: Nil).

(v) Loans, quasi-loans and guarantees offered to directors, legal entities controlled by directors and their related persons

As at 31 December 2017, there were no loans, quasi-loans and guarantees offered to directors, legal entities controlled by directors and their related persons (31 December 2016: Nil).

(vi) Agreements that related to the business of the Group, in which the directors have significant interest in transactions, arrangement and contracts directly or indirectly

During the year, the Company did not enter into any agreement that related to the business of the Group, in which the directors have significant interest in transactions, arrangement and contracts directly or indirectly (2016: Nil).

6. Receivables due from and payables due to related parties

Refer to Note IV.4 for details of accounts receivable.

Refer to Note IV.5 for details of other receivables.

Refer to Note IV.6 for details of advance to suppliers.

Refer to Note IV.9 for details of current portion of non-current assets.

Refer to Note IV.12 for details of long-term receivables.

Refer to Note IV.22 for details of other non-current assets.

Refer to Note IV.28 for details of accounts payable.

Refer to Note IV.29 for details of advance from customers.

Refer to Note IV.34 for details of other payables.

7. Commitments in relation to related parties

As at 31 December 2017, there are no commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group.

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IX. SHARE-BASED PAYMENTS

1. Information about share-based payments

| | |
|---|---|
| Total equity instruments granted during the year | The total number of share options granted by the Company and Enric was 0 this year. |
| Total equity instruments exercised during the year | The number of exercised share options granted by the Company and Enric were 4,312,000 and 5,814,000 respectively this year. |
| Total equity instruments forfeited during the year | The Company has no ineffective or obsolete equity instruments and the number of share options forfeited in Enric was 1,384,000 this year. |
| The exercise price of outstanding share options at the end of the year and residual life of the share options contracts | <ol style="list-style-type: none"> Equity-settled share options granted by Enric in 2009, 2011 and 2014: HKD4, HKD2.48 and HKD11.24 per share respectively, the residual life of contract is 1.86, 3.83 and 6.43 years respectively; Equity-settled share options granted by the Company in 2010 and 2011: RMB10.49 (after adjustment) and RMB16.02 per share respectively (after adjustment), the residual life of contracts is both 2.74 years. |
| The price of other outstanding equity instruments at the end of the year and residual life of relevant contracts | Nil |

Expenses recognised for the year arising from share-based payments are as follows:

| | 2017 | 2016 |
|------------------------------------|--------|--------|
| Equity-settled share-based payment | 16,324 | 32,384 |

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IX. SHARE-BASED PAYMENTS (CONTINUED)

2. Information on equity-settled share-based payment

(1) Information on share-based payment of Enric

Enric, a subsidiary of the Company, carried out a share options plan, which was approved by the shareholders' meeting on 11 November 2009. According to the Plan, the key management personnel and other employees in Enric were granted share options of Enric at nil consideration to subscribe for shares of Enric. The options are 50% exercisable after one year from the date of grant and are then 100% exercisable after two years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in Enric. The total number of share options granted was 43,750,000, with the exercise price of HKD4 per share.

Enric carried out another share options plan, which was approved by the shareholders' meeting on 28 October 2011. According to Plan II, the board of directors of the Company was authorised to grant share options to the key management personnel and other employees of Enric at nil consideration to subscribe for shares of Enric. The options are 40% exercisable after one year from the date of grant and, 70% exercisable after 2 years from the date of grant, and then 100% exercisable after 3 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in Enric. The total number of share options granted was 38,200,000, with exercise price of HKD2.48 per share.

Enric, a subsidiary of the Company, carried out a share options plan, which was approved by the shareholders' meeting on 5 June 2014. According to the Plan, the key management personnel and other employees in Enric were granted share options of Enric at nil consideration to subscribe for shares of Enric. The options are 40% exercisable after two years from the date of grant, 70% exercisable after three years from the date of grant and 100% exercisable after four years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in Enric. The total number of share options granted was 38,420,000, with the exercise price of HKD11.24 per share.

Movement of share options of Enric:

| | 2017
'000 | 2016
'000 |
|-----------------------------|--------------|--------------|
| Beginning balance | 83,572 | 86,599 |
| Exercised in current period | (5,814) | (1,211) |
| Cancelled in current period | (417) | (1,776) |
| Forfeited in current period | (967) | (40) |
| Ending balance | 76,374 | 83,572 |

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IX. SHARE-BASED PAYMENTS (CONTINUED)

2. Information on equity-settled share-based payment (Continued)

(2) Information on equity-settled share-based payment of the Company

A share options scheme was approved in the shareholders' meeting of the Company held on 28 September 2010. According to the Scheme, the board of directors of the Company was authorised to grant share options to the key management personnel and other employees to subscribe for the shares of the Company. The effective period of the Scheme is ten years from the first grant date of share options. The options are exercisable in two periods. The options are 25% exercisable from the first transaction date after 24 months since the grant date to the last transaction date after 48 months since grant date. The remaining 75% are exercisable from the first transaction date after 48 months since grant date to the last transaction date of the Scheme. Each option gives the holder the right to subscribe for one ordinary share in the Company. In addition, the holder must simultaneously satisfy all the conditions as follows:

- (a) The holder should pass the previous year's evaluation.
- (b) The increase of net profit attributable to ordinary shareholders of the Company after deducting nonrecurring profit or loss should not be lower than the 6% and the average return on net assets after deducting non-recurring profit or loss should not be lower than 10% for the previous year of the exercise date.
- (c) During the waiting period, the net profit attributable to ordinary shareholders of the Company and the net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss should not be lower than the average figures of the three fiscal years before the grant day or negative.

On 12 May 2015, According to the review and approval at the eighth meeting of the seventh session of the Board of Directors in 2015, the second exercise period of the first batch of stock options reached the conditions of exercise. The actual exercise period was from 2 June 2015 to 27 September 2020, the total number of exercisable rights was 39,660,000. On 9 October 2015, According to the review and approval at the 14th meeting of the seventh session of the Board of Directors in 2015, the second exercise period of the second batch of stock options reached the conditions of exercise. The actual exercise period was from 24 October 2015 to 27 September 2020, the total number of exercisable rights was 4,132,500.

The total number of share options granted was 60,000,000, 54,000,000 among which were for the initial grant with exercise price of 12.39 per share while the remaining 6,000,000 options were for reservation.

In accordance with the provisions of the aforesaid share option plan, the Board of Directors of the Company made corresponding adjustments to the 54 million shares option exercise price granted on 28 September 2010 which in accordance with the annual dividend distribution plan implemented after the award period. After the adjustment, the exercise price is RMB10.49 per share.

The shareholders meeting of the company which held on 22 September 2011 granted 6 million reserved stock options in the share option plan approved by the company's general meeting of shareholders on 28 September 2010 at an exercise price of RMB17.57 per share. The aforesaid option exercise price was adjusted to RMB16.02 based on the annual dividend payment plan implemented after the grant period.

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IX. SHARE-BASED PAYMENTS (CONTINUED)

2. Information on equity-settled share-based payment (Continued)

(2) Information on share-based payment of the Company (Continued)

Movement of share options of the Company:

| | 2017
'000 | 2016
'000 |
|-----------------------------|--------------|--------------|
| Beginning balance | 25,229 | 25,986 |
| Exercised in current period | (4,312) | (757) |
| Ending balance | 20,917 | 25,229 |

(3) Basis of the best estimate of the number of equity instruments expected to vest is as follows:

At each balance sheet date during the vesting period, the Company makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. On vesting date, the estimate shall be equal to the number of equity instruments that ultimately vested.

There was no significant difference of estimation between current year and last year.

| | |
|---|---------|
| As at 31 December 2017, Accumulated amount recognised in capital reserve for share-based payments | 400,716 |
| Total expenses recognised for equity-settled share-based payments for current year Including: | |
| – attributed to the Company | – |
| – attributed to Enric | 16,324 |
| | 16,324 |

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X. CONTINGENCIES

1. Contingent liabilities

CIMC Raffles, a subsidiary of the Group, signed a drilling platform construction contract with the relevant purchasers. The relevant purchasers believed that CIMC Raffles failed to deliver on schedule as required by the contract and had sent a notice of suspension of the contract to CIMC Raffles and demanded compensation of USD37,400,000 (equivalent to RMB244,379,000). As of 31 December 2016, CIMC Raffles has reclassified the advance payment of US\$18,700,000 (equivalent to RMB122,189,000) to other payables. As of the date of the audit report, the matter is still in arbitration. The management expects that the risk of arbitration is relatively low and no related liabilities are accrued.

YZTH, a subsidiary of the Company provided guarantee to the mortgage loans by which some of its clients bought its mixer trucks, but some of the loan repayments have been overdue severely, the management team expected there is possibility for YZTH to repay the loans for the clients, therefore the related estimated liabilities of RMB3,096,000 (31 December 2016: RMB19,778,000) are accrued, which is based on the amount of loan that is expected to be compensated.

2. Guarantees provided for external parties

CIMC Raffles, a subsidiary of the Group, provided the guarantee for the vessel leasing of its clients. As at 31 December 2017, the amount guaranteed by Raffles was about RMB258,646,000 (31 December 2016: RMB382,000,000).

CIMC Vehicle Group, a subsidiary of the Group, signed contracts with China Merchants Bank, China Everbright Bank, Huishang Bank and Industrial Bank, which was granted to the distributors and customers of CIMC Vehicle Group and its subsidiaries arising from purchase of vehicle products. As at 31 December 2017, the aggregate amount of credit facilities in respect of which CIMC Vehicle Group and its subsidiaries provided guarantees to the distributors and customers was RMB808,421,000 (31 December 2016: RMB1,031,416,000).

The Group's subsidiaries, Shenyang Vehicle Industry Park and Shaanxi Vehicle Industry Park, cooperated with China Construction Bank and Shaanxi Xianyang Qindu Rural Commercial Bank, respectively, in mortgage credit cooperation. It signed a loan guarantee contract, which provide guarantee to the customers of two companies. As of 31 December 2017, the customer financing loans provided by the Shenyang Vehicle Industrial Park and Shaanxi Vehicle Industrial Park approximately RMB11,850,000 (31 December 2016: Nil).

The Group's subsidiary, Shenzhen CIMC production City Development Group Co., Ltd. and its holding subsidiaries, provided guarantees to purchasers of commodity homes by the way of secured loans. The amount of guarantees provided by the Group was RMB627,323,000 as at 31 December 2017 (31 December 2016: RMB733,443,000).

C&C Trucks and its subsidiaries signed contracts with external banks, pursuant to which relevant banks provided guarantees in respect of banking facilities granted to the distributors and customers of C&C Trucks and its subsidiaries arising from purchase of vehicle products. As at 31 December 2017, the aggregate amount of credit facilities in respect of which C&C Trucks and its subsidiaries provided guarantees to the distributors and customers was RMB339,442,000 (31 December 2016: RMB386,879,000).

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X. CONTINGENCIES (CONTINUED)

3. Notes payable issued but not accounted for, outstanding letter of credit issued but undue and outstanding performance guarantees

The Group does not recognize bills payable or letter of credit issued as deposits. Corresponding inventories, advance to suppliers and notes payable are recognised at the earlier of the date of delivery of goods and the maturity date of the bills issued. As at 31 December 2017, the Group had bills issued but not accounted for RMB4,180,000 and outstanding letters of credit RMB274,253,000, totaling RMB278,433,000 (31 December 2016: RMB1,143,013,000).

As at 31 December 2017, the Company had outstanding balance of guarantees for its subsidiaries RMB779,996,000 and USD30,000,000 (equivalent to RMB196,026,000) respectively, totaling RMB976,022,000 (31 December 2016: RMB1,053,740,000).

As at 31 December 2017, the amount of the unexpired letter of guarantee of the Group's subsidiary issued by the bank was RMB90,121,000, of which the balance of the performance guarantee was RMB59,349,000, the balance of the payment guarantee was RMB10,440,000, and the balance of the quality guarantee was RMB6,950,000, the balance of customs guarantees was RMB6,000,000, the balance of advance payment guarantees was RMB4,073,000, the balance of bid bonds was RMB1,950,000, the balance of refund guarantees was RMB1,299,000, and the balance of general customs guarantees was 60,000 yuan (31 December 2016: RMB55,889,000).

As at 31 December 2017, the balance of outstanding guarantees of the Group's subsidiary Tianda Airport was issued by the bank was RMB857,578,000, of which the balance of performance guarantee was RMB409,001,000, and the balance of advance guarantee was RMB281,602,000. The balance of non-financing guarantees was RMB68,991,000, the balance of tax guarantees was RMB16,842,000, the balance of bid bonds was RMB41,679,000, the balance of reserve funds/retention bonds was RMB2,214,000, and the balance of quality guarantees was RMB37,249,000 (31 December 2016: RMB682,818,000).

As at 31 December 2017, CIMC Enric and its subsidiaries had outstanding balance of guarantees issued by relevant banks was RMB994,460,000, of which the balance of the project guarantee was RMB382,927,000, and the balance of the performance and quality guarantee was RMB329,295,000, the balance of advance payment guarantee was RMB154,849,000, the balance of Progress Guarantee was RMB113,667,000, the balance of tax guarantee was RMB5,923,000, and the other guarantee was RMB7,799,000 (31 December 2016: RMB779,018,000).

As at 31 December 2017, CMIC Raffles had outstanding balance of guarantees issued by relevant banks was US\$3,110,000 (equivalent to RMB20,321,000), of which the balance of the performance guarantee was US\$310,000 (equivalent to RMB2,025,000). The balance of quality guarantee was USD2,800,000 (equivalent to RMB18,296,000) (31 December 2016: RMB905,730,000).

As at 31 December 2017, CIMC Finance Company, the subsidiary of the Group, had outstanding balance of guarantees for the subsidiary of the Group, of which the balance was RMB7,559,000, the balance of performance guarantees was RMB476,000, and the balance of quality guarantees was In the amount of RMB4,000,000, the balance of the payment guarantee was RMB2,000,000, and the balance of the owner's payment of the guarantee was RMB1,083,000 (31 December 2016: RMB28,396,000).

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X. CONTINGENCIES (CONTINUED)

4. Significant pending litigations

On 23 January 2018, Shanghai No. 2 Intermediate People's Court made (2016) Shanghai 02 Mingchu No. 473 Civil Judgment, Shanghai Xin Zhou Shipping Material Co., Ltd. ("Shanghai Xin Zhou") proposed that the company, the defendants in Shanghai Nanlian Trade Co., Ltd. and Nantong Pacific Co., Ltd., shall pay joint payment obligations for the purchase price of Shanghai Xinzhou and the corresponding overdue interest. Although the company has appealed the verdict, the management of the company is expected to pay a higher risk due to the consideration of prudent principle. As of 31 December 2017, the company has accrued an provisions of RMB102,525,000.

XI. COMMITMENTS

1. Significant commitments

(1) Capital commitments

| | 2017 | 2016 |
|--|----------------|----------------|
| Significant fixed assets purchase contracts entered into under performance or preparation of performance | 98,366 | 108,730 |
| Investment contracts entered into but not performed or performed partially | 10 | 129,423 |
| Significant contracts entered into for Ships to be manufactured for sales or lease | 44,342 | 179,633 |
| Total | 142,718 | 417,786 |

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts at the year end are summarised as follows:

| | 2017 | 2016 |
|---|----------------|----------------|
| Within 1 year (inclusive) | 54,387 | 45,683 |
| Over 1 year but within 2 years (inclusive) | 24,211 | 26,155 |
| Over 2 years but within 3 years (inclusive) | 10,288 | 20,690 |
| Over 3 years | 49,855 | 49,420 |
| Total | 138,741 | 141,948 |

Operating lease recognized as profit or loss in 2017 amounted to 78,490,000 (2016: 88,124,000).

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XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Dividend distribution after the balance sheet date

| | |
|------------------------------|---------|
| Dividend proposed (Note (1)) | 805,380 |
|------------------------------|---------|

(1) Dividend for ordinary shares proposed after the balance sheet date

As at 27 March 2018, board of directors proposed to distribution cash dividends to the ordinary shareholders of RMB0.27 per share, and the amount of shares calculated as of 31 December 2017 was RMB805,380,000 (2016: RMB0.06 per share, a total of RMB179,887,000). This proposal is yet to be approved by the shareholders meeting. The dividend distribution plan is based on the number of shares on the dividend registration date. Dividends proposed after the balance sheet date are not recognized as liabilities at the balance sheet date.

2. Revision of accounting policy

In 2017, the Ministry of Finance amended the following five accounting standards (collectively, the "New standard") the "Accounting Standards for Business Enterprises No.14 – Revenue" (the "New Revenue Standard"), "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting", "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument" (collectively, "New Financial Instrument Standard"). The aforesaid New Standard has been adopted since 1 January 2018, the Group will make disclosure on accounting statements under the requirements of the New Standards commencing from the first quarterly report of 2018.

The New Revenue Standard define the revenue is recognized when the customer obtains control of the relevant goods or services. According to the convergence rules of the New Standard, companies do not need to restate the previous period's comparable figures, the cumulative impact of the implementation of the new standard on the first day will be adjusted to the retained earnings at the beginning of the period or other related items in the financial statements. The management has assessed the impact of the application of the New Revenue Standard on the Group's financial statements: (1) The New Standard requires separate listing of contract assets and contract liabilities in the balance sheet, which will result in several reclassifications of other items currently included in the balance sheet; (2) When satisfies the following two conditions, one is that goods (including real estate) produced during the performance process have irreplaceable uses, and the other is that during the entire contract period, they have the right to receive payment for the cumulative performance parts that have been completed so far, and real estate sales shall be recognized as revenue based on the performance progress measured by the input method, according to the conditions for fulfilling the obligations within a certain period of time. The management believe that the New Revenue Standard will have no significant impact on the financial position and operating results of the Group.

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XII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

2. Revision of accounting policy (Continued)

The new financial instrument accounting standards retains but simplifies the hybrid econometric model of financial assets and identifies three major measurement categories: (1) Amortized cost; (2) It is measured at fair value and its change is included in other comprehensive income; (3) It is measured at fair value and its changes are charged to profit or loss for the current period. Enterprise must consider its own business model and the contractual cash flow characteristics of financial assets to perform the above classification. Equity investments are measured at fair value through profit or loss, but at initial recognition, they are measured at fair value and their changes are included in other comprehensive income (gains or losses at the time of disposal cannot be recycled to profit or loss, but dividends are included in profit or loss) and the choice is irrevocable. The expected credit loss model under the New Financial Instruments Standard replaces the impairment models used in the original guidelines. For financial liabilities, except for those liabilities which measured at fair value through profit or loss for the current period will put its changes charge to other comprehensive income due to their own credit risk, there are no other changes in classification or measurement. The new hedge accounting policy proposes a more principle-based concept. The requirements for the validity of hedge accounting are relaxed from the original criteria. It will still require the same period of information, but it is different from the original criteria. According to the convergence rules of the New Financial Instrument Standard, companies do not need to restate the previous comparable information, the difference between the New Standard and the original standard on the first day will be adjusted to the retained earnings at the beginning of the period or other comprehensive income.

The management has assessed the impact of the application of the New Financial Instrument Standard on the Group's financial statements: (1) The equity instruments which are currently classified as available-for-sale financial assets, are designated by management as financial assets that are measured at fair value through other comprehensive income cannot be recycled to profit or loss, but dividends are included in profit or loss. The remaining equity instruments are classified as financial assets measured at fair value through profit or loss for the current period. Other comprehensive income which accumulative recognized from such assets need to be transferred to the retained earnings at the beginning of the period on the first execution date; (2) The Company's financial assets are reclassified as required under the standard and determined based on new measurement. Impairment of financial assets will be measured based on the "expected credit loss" method instead of "incurred loss" method, taking account into various available information including forward-looking information. This requirement mainly applies to financial assets classified as amortized cost and debt instruments that are measured at fair value and whose changes are included in other comprehensive income. This change results in an increase in the provision for impairment of financial assets or other comprehensive income on the date of first implementation, and a decrease in retained earnings at the beginning of the period; (3) The New Financial Instruments Standards introduce extended disclosure requirements and listed changes to financial instruments. This change will affect the Group's disclosure of the nature and content of financial instruments.

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XIII. SEGMENT REPORTING

In accordance with the Group's internal organization structure, management requirement and internal reporting process, nine reportable segments are identified by the Group including: containers, road transportation vehicles, energy and chemical & food equipment, offshore business, airport facilities, logistics services, finance, property development and heavy trucks. Each reportable segment is an independent business segment providing different products and services. Independent management is applied to individual business segment as different technical and market strategy are adopted. The Group reviews the financial information of individual segment regularly to determine resources allocation and performance assessment.

1. Segment profits, losses, assets and liabilities

In order to assess the segment performance and resources allocation, the Group's management review segment revenue, expenses, assets and liabilities of each segment regularly. The preparation basis of such information is detailed as follows:

Segment assets include tangible assets, intangible assets, other long-term assets and accounts receivable, etc, but exclude deferred tax assets and other un-allocated headquarter assets. Segment liabilities include payables, bank loans, provision, special payables and other liabilities, while deferred tax liabilities are exclude.

Segment profit represents revenue (including external revenue and inter-segment revenue), offsetting segment expenses, depreciation and amortization, impairment losses, interest expenses and income attributable to individual segment. Transactions conducted among segments are under normal non-related party transaction commercial terms.

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XIII. SEGMENT REPORTING (CONTINUED)

1. Segment profits, losses, assets and liabilities (Continued)

Information to be disclosed on each of the Group's reportable segment (including management's periodically reviewed information and disclosure required by accounting standard) that the Group uses in measuring segments' profit/(loss), assets and liabilities is set out as follows:

| Item | Containers | Road
transportation
vehicles | Energy and
chemistry
& food
equipment | Offshore
business | Airport
facilities | Logistic
services | Finance | Property
development | Heavy
trucks | Others | Elimination
between
segments | Total |
|------------------------------------|------------|------------------------------------|--|----------------------|-----------------------|----------------------|-----------|-------------------------|-----------------|-----------|------------------------------------|------------|
| | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |
| External transaction | 24,936,966 | 19,312,933 | 11,649,409 | 1,241,605 | 3,592,934 | 8,128,290 | 2,339,934 | 986,797 | 2,516,229 | 1,594,833 | - | 76,299,930 |
| Inter segment transaction | 109,731 | 207,731 | 196,791 | 1,243,812 | 3,577 | 67,162 | 707 | 19,995 | 49,516 | 1,524,504 | (3,423,526) | - |
| Cost of sales from main operations | 20,772,143 | 15,729,623 | 9,496,115 | 2,451,403 | 2,793,427 | 7,387,048 | 896,360 | 584,561 | 2,413,675 | 2,908,088 | (3,840,046) | 61,592,397 |
| Investment income/(loss) in joint | | | | | | | | | | | | |

Chapter XIII

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XIII. SEGMENT REPORTING (CONTINUED)

1. Segment profits, losses, assets and liabilities (Continued)

Information to be disclosed on each of the Group's reportable segment (including management's periodically reviewed information and disclosure required by accounting standard) that the Group uses in measuring segments' profit/(loss), assets and liabilities is set out as follows (Continued):

| Item | Energy and | | | | | | | | | | Elimination
between
segments | Total |
|--|------------|------------------------------------|--|----------------------|-----------------------|----------------------|------------|-------------------------|-----------------|------------|------------------------------------|-------------|
| | Containers | Road
transportation
vehicles | Energy and
chemistry &
food
equipment | Offshore
business | Airport
facilities | Logistic
services | Finance | Property
development | Heavy
trucks | Others | | |
| | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 |
| External transaction | 10,521,948 | 14,462,631 | 9,093,044 | 459,747 | 3,213,229 | 7,081,494 | 2,302,412 | 895,106 | 1,641,820 | 1,440,221 | - | 51,111,652 |
| Inter segment transaction | 545,051 | 232,051 | 260,742 | 3,845,883 | - | 47,962 | - | (172,016) | 83,946 | 779,355 | (5,622,974) | - |
| Cost of sales from main operations | 9,672,008 | 11,838,314 | 7,414,373 | 3,809,783 | 2,496,377 | 6,300,173 | 1,012,075 | 379,143 | 1,685,239 | 1,930,739 | (5,519,215) | 41,019,009 |
| Investment income/(loss) in joint ventures
and associates | (998) | (3,107) | (2,070) | - | 14,585 | 61,632 | 17,403 | 4,703 | 1,946 | (6,828) | - | 87,266 |
| Asset impairment losses | 18,016 | 152,894 | 1,464,867 | (19,232) | 22,025 | 43,998 | 292,880 | (135) | 94,583 | 1,003 | 18,735 | 2,089,634 |
| Depreciation and amortisation expenses | 417,648 | 275,135 | 282,341 | 342,384 | 125,851 | 118,727 | 189,279 | 12,280 | 134,951 | 293,234 | - | 2,191,830 |
| Interest income | 157,579 | 67,766 | 51,424 | 96,384 | 2,101 | 12,121 | 213,585 | 33,639 | 2,686 | 1,185,665 | (1,680,615) | 142,335 |
| Interest expenses | 31,240 | 90,022 | 72,028 | 331,438 | 18,845 | 37,326 | 144,493 | 16,363 | 93,606 | 1,172,147 | (1,105,650) | 901,858 |
| Total profit/(loss) | 489,836 | 1,028,130 | (736,026) | (206,377) | 156,989 | 503,603 | 913,964 | 190,217 | (354,182) | 203,537 | (487,640) | 1,702,051 |
| Income tax expenses | 126,347 | 261,317 | 157,081 | 6,247 | 25,986 | 144,177 | 90,311 | 36,424 | (29,492) | 111,035 | 37,635 | 967,068 |
| Net profit/(loss) | 363,489 | 766,813 | (893,107) | (212,624) | 131,003 | 359,426 | 823,653 | 153,793 | (324,690) | 92,502 | (525,275) | 734,983 |
| Total assets | 16,678,921 | 14,944,863 | 13,548,051 | 32,691,493 | 3,718,616 | 4,633,572 | 36,497,514 | 3,172,175 | 4,289,499 | 39,707,987 | (45,267,943) | 124,614,748 |
| Total liabilities | 8,597,535 | 7,735,967 | 9,120,841 | 30,739,199 | 2,288,967 | 3,275,908 | 29,345,686 | 1,571,309 | 3,874,014 | 43,797,506 | (54,866,976) | 85,479,956 |
| Other substantial non-cash items | | | | | | | | | | | | |
| - Non-cash expenditures/(income)
other than depreciation and
amortisation | (250,332) | 49,470 | 1,396,933 | 88,898 | 16,051 | 48,348 | 296,255 | (155) | 92,132 | (667,427) | 230,504 | 1,300,677 |
| - Long-term equity investment of
joint ventures and associates | 30,129 | 105,392 | 10,387 | 33,288 | 485,275 | 509,225 | 396,362 | 104,192 | 196,155 | 291,814 | - | 2,162,219 |
| - Segment expenditures raising from
additions of long-term equity
investment and financial assets and
deferred tax assets | 911,137 | 1,715,136 | 323,296 | 427,645 | 262,359 | 239,856 | 1,777,109 | 74,813 | 62,455 | 720,965 | 2,294,042 | 8,808,813 |

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XIII. SEGMENT REPORTING (CONTINUED)

2. Geographic information

The following table sets out information about the geographical information of the Group's revenue from external customers and the Group's non-current assets (excluding financial assets and deferred tax assets, same for the below). The geographical locations of customers are based on the location at which the services were provided or the goods were delivered. The geographical locations of the specified non-current assets are based on the physical location of the assets (for fixed assets), or the location of the business to which they are allocated (for intangible assets and goodwill), or the location of operations of the associates and joint ventures.

Geographic information (according to the receiving party division)

| | Total revenue from external customers | | Total non-current assets | |
|---------------------------|---------------------------------------|------------|--------------------------|------------------|
| | 2017 | 2016 | 31 December 2017 | 31 December 2016 |
| P.R.China | 32,769,171 | 23,563,045 | 53,560,445 | 53,280,989 |
| Asia (exclusive of China) | 5,412,665 | 7,266,749 | 696,672 | 714,570 |
| America | 18,482,055 | 9,718,213 | 359,408 | 391,179 |
| Europe | 18,029,736 | 8,068,004 | 1,863,541 | 1,544,659 |
| Others | 1,606,303 | 2,495,641 | 65,098 | 85,495 |
| Total | 76,299,930 | 51,111,652 | 56,545,164 | 56,016,892 |

XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks and etc.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes and etc. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the risk management committee of the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the external ratings of the customers and their bank credit records where available and previous payment records (if available). Receivables are due within from 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers, but earnest or prepayment money is requested sometimes due to the customer's situation.

The management team of the Group had made the plan for financial leasing receivable risk management, based on the research on its own industries, the credit rating of counterparties and the knowledge of the counterparties' businesses and financial standings. If the default of contract occurs, the management team of the Group may ask for returning, withdrawing or selling leased property, depending on the applicableness in individual cases. If the delay of repayment occurs, the management team keeps the right to collect the default interest based on the amount of overdue repayment and default interest rate, until the overdue payment will have been paid. In addition, the management team may ask for the deposit which can be paid for the money owed by the leasee, depending on individual cases. When the Group assesses the credit risk, its strategy is to manage, restrict and control the over-concentration of the credit risk, especially, regularly assessing leasee's ability to make the repayment.

Based on the indicators such as assets conditions and profit forecast of the associates and joint ventures, the Group provide funds to them and continuously monitor the project progress and business condition, to ensure the recoverability of fund.

In addition, the receivables of the Group that are neither overdue nor impaired mainly due from a wide range of customers for whom there was no recent history of default.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

1. Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics and industries of each customer rather than country or area in which the customers operate. And therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, the Group and the Company had a certain concentration of credit risk, as 31.54% (2016: 30.89%) of the total accounts receivable and other receivables were due from the five largest customers of the Group.

Investments are normally made only to liquid securities quoted on a recognized stock exchange (except for investments for long-term strategic purposes). Besides, the credit rating of counterparty should be the same or above the Group. For transactions involving derivative financial instruments, counterparties should have sound credit ratings and with whom the Group has a signed netting ISDA agreement (International Swap Derivative

ivevative financial instruments, counavolv balance t dat(GiveEt for)11(five lial instgu8(acter)0e8. g theihe indip)0.5(0.011 T070.08

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

2. Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on prevailing interest rates at 31 December) and the earliest date the Group can be required to pay:

| | 31 December 2017
Undiscounted contractual cash flow | | | | | Carrying amount
at balance
sheet date |
|--|--|--------------------|---------------------|-------------------|---------------------|---|
| | Within
1 year or
on demand | 1 to 2 years | 2 to 5 years | Over 5 years | Total | |
| Financial assets | | | | | | |
| Cash at bank and on hand | 5,596,314 | – | – | – | 5,596,314 | 5,596,314 |
| Financial assets at
fair value through
profit or loss | 194,880 | 206,604 | 111,930 | – | 513,414 | 513,414 |
| Accounts receivable and
other receivables | 27,187,046 | – | – | – | 27,187,046 | 27,187,046 |
| Current portion of
non-current assets | 6,294,086 | – | – | – | 6,294,086 | 4,314,250 |
| Available-for-sale
financial assets | – | – | 36,301 | 411,980 | 448,281 | 441,581 |
| Interest receivable | 19,092 | – | – | – | 19,092 | 19,092 |
| Dividends receivable | 4,408 | – | – | – | 4,408 | 4,408 |
| Long-term receivables | – | 3,589,848 | 5,449,700 | 11,540,062 | 20,579,610 | 12,880,540 |
| Sub-total | 39,295,826 | 3,796,452 | 5,597,931 | 11,952,042 | 60,642,251 | 50,956,645 |
| Financial liabilities | | | | | | |
| Financial liabilities at
fair value through
profit or loss | 40,832 | – | – | – | 40,832 | 40,832 |
| Short-term borrowings | 15,317,347 | – | – | – | 15,317,347 | 15,317,347 |
| Notes payable | 1,785,456 | – | – | – | 1,785,456 | 1,785,456 |
| Debentures payable | 264,000 | 6,210,029 | 2,233,400 | – | 8,707,429 | 7,986,500 |
| Accounts payable and
other payables | 19,070,852 | – | – | – | 19,070,852 | 19,070,852 |
| Interest payable | 377,793 | – | – | – | 377,793 | 377,793 |
| Dividends payable | 254,434 | – | – | – | 254,434 | 254,434 |
| Current portion of
non-current liabilities | 4,085,579 | – | – | – | 4,085,579 | 4,085,579 |
| Other current liabilities | 588,235 | – | – | – | 588,235 | 595,907 |
| Long-term borrowings | 1,015,960 | 4,860,647 | 20,562,836 | 831,199 | 27,270,642 | 24,140,168 |
| Long-term payables | – | 182,388 | 175,466 | – | 357,854 | 347,269 |
| Other non-current
liabilities | 278,214 | 278,214 | 278,214 | 1,349,863 | 2,184,505 | 1,737,505 |
| Sub-total | 43,078,702 | 11,531,278 | 23,249,916 | 2,181,062 | 80,040,958 | 75,739,642 |
| Net total | (3,782,876) | (7,734,826) | (17,651,985) | 9,770,980 | (19,398,707) | (24,782,997) |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

2. Liquidity risk (Continued)

| | 31 December 2016 | | | | | Total | Carrying amount at balance sheet date |
|--|------------------------------------|--------------------|---------------------|-------------------|---------------------|---------------------|---------------------------------------|
| | Undiscounted contractual cash flow | | | | | | |
| | Within 1 year or on demand | 1 to 2 years | 2 to 5 years | Over 5 years | | | |
| Financial assets | | | | | | | |
| Cash at bank and on hand | 6,325,998 | – | – | – | 6,325,998 | 6,325,998 | |
| Financial assets at fair value through profit or loss | 141,160 | – | 325,187 | – | 466,347 | 466,347 | |
| Accounts receivable and other receivables | 24,619,828 | – | – | – | 24,619,828 | 24,619,828 | |
| Current portion of non-current assets | 5,513,253 | – | – | – | 5,513,253 | 3,941,689 | |
| Available-for-sale financial assets | – | – | 36,803 | 412,240 | 449,043 | 442,726 | |
| Interest receivable | 9,250 | – | – | – | 9,250 | 9,250 | |
| Dividends receivable | 41,959 | – | – | – | 41,959 | 41,959 | |
| Long-term receivables | – | 3,997,923 | 5,268,322 | 12,907,684 | 22,173,929 | 13,220,242 | |
| Sub-total | 36,651,448 | 3,997,923 | 5,630,312 | 13,319,924 | 59,599,607 | 49,068,039 | |
| Financial liabilities | | | | | | | |
| Financial liabilities at fair value through profit or loss | 199,225 | – | 3,816 | – | 203,041 | 203,041 | |
| Short-term borrowings | 15,729,787 | – | – | – | 15,729,787 | 15,729,787 | |
| Notes payable | 1,551,582 | – | – | – | 1,551,582 | 1,551,582 | |
| Debentures payable | 189,000 | 189,000 | 8,175,500 | – | 8,553,500 | 7,986,500 | |
| Accounts payable and other payables | 15,315,024 | – | – | – | 15,315,024 | 15,315,024 | |
| Interest payable | 303,375 | – | – | – | 303,375 | 303,375 | |
| Dividends payable | 16,746 | – | – | – | 16,746 | 16,746 | |
| Current portion of non-current liabilities | 3,667,872 | – | – | – | 3,667,872 | 3,667,872 | |
| Other current liabilities | 1,666,966 | – | – | – | 1,666,966 | 1,687,762 | |
| Long-term borrowings | 1,056,608 | 10,819,611 | 16,387,132 | 3,464,214 | 31,727,565 | 27,023,222 | |
| Long-term payables | – | 520,988 | 4,767 | 23,220 | 548,975 | 529,372 | |
| Other non-current liabilities | 314,210 | 314,210 | 314,210 | 1,685,812 | 2,628,442 | 2,037,458 | |
| Sub-total | 40,010,395 | 11,843,809 | 24,885,425 | 5,173,246 | 81,912,875 | 76,051,741 | |
| Net total | (3,358,947) | (7,845,886) | (19,255,113) | 8,146,678 | (22,313,268) | (26,983,702) | |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

2. Liquidity risk (Continued)

As at 31 December 2016, the Group has got commitments from main financial institutions to provide enough reserve funds, in order to satisfy short-term and long-term demands of working capital.

As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

| 31 December 2017 | | | | |
|------------------|--------------|--------------|--------------|-----------|
| Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| 1,276,703 | 495,032 | 273,947 | – | 2,045,682 |

| 31 December 2016 | | | | |
|------------------|--------------|--------------|--------------|-----------|
| Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| 1,422,430 | 693,842 | 417,466 | – | 2,533,738 |

Bank and other borrowings are analysed by repayment terms as follows:

| | 31 December 2017 | | 31 December 2016 | |
|---------------|------------------|------------------|------------------|------------------|
| | Bank borrowings | Other borrowings | Bank borrowings | Other borrowings |
| Within 1 year | 19,299,973 | – | 19,255,497 | – |
| 1 to 2 years | 4,860,647 | – | 9,763,003 | – |
| 2 to 5 years | 18,473,368 | – | 14,362,508 | – |
| over 5 years | 806,153 | – | 2,897,711 | – |
| | 43,440,141 | – | 46,278,719 | – |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

3. Interest rate risk

Fixed and floating interest-bearing financial instruments exposed the Group to interest rate risk of fair value and cash flow, respectively. The interest rate policy is to ensure the exposure of interest rate risk of borrowing is within a reasonable scope. The Group had entered into interest rate swap contracts, which were made based on the currencies of the borrowings. Hence the Group set up appropriate fixed and floating interest rate risk portfolio, to meet the policy.

(1) As at 31 December 2017, the Group held the following interest-bearing financial instruments:

| | 31 December 2017 | | 31 December 2016 | |
|---|-------------------|--------------------|-------------------|--------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Fixed rates interest-bearing financial instruments | | | | |
| – Long-term receivables | 2.58%-17.53% | 12,880,540 | 2.58%-17.53% | 13,220,242 |
| – Current portion of Long-term receivables | 2.58%-17.53% | 4,314,250 | 2.58%-17.53% | 3,941,689 |
| Financial liabilities | | | | |
| – Short-term borrowings | 1.30%~6.09% | 3,917,219 | 0.65%-16.41% | 6,280,953 |
| – Debenture payable | 3.07%-3.89% | 7,986,500 | 3.07%-3.89% | 7,986,500 |
| – Current portion of long-term borrowings | 2.53%-5.46% | 1,281,655 | 2.65%-2.90% | 800,000 |
| – Long-term borrowings | 1.20%-7.03% | 3,529,147 | 1.45%-6.37% | 1,043,007 |
| – Other current liabilities | 0.01%-1.00% | 588,235 | 0.01%-1.00% | 1,666,966 |
| – Other non-current liabilities | 4.99%-12.00% | 1,737,505 | 4.99%-12.00% | 2,037,458 |
| Total | | (1,845,471) | | (2,652,953) |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

3. Interest rate risk (Continued)

(1) As at 31 December 2017, the Group held the following interest-bearing financial instruments: (Continued)

| | 31 December 2017 | | 31 December 2016 | |
|---|---------------------------------|--------------|---------------------------------|--------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Floating rates interest-bearing financial instruments | | | | |
| Financial assets | | | | |
| – Cash at bank and on hand | 0.30%-2.75% | 5,596,314 | 0.30%-2.75% | 6,325,998 |
| Financial liabilities | | | | |
| – Current portion of long-term borrowings | 1.775%+1M libor~6M libor+195bps | 2,700,971 | 1M Libor+145bps~1M Libor+245bps | 2,725,710 |
| – Long-term borrowings | 1.15%+1M libor~3M libor+240bps | 20,611,021 | 1M Libor+145bps~6M Libor+310bps | 25,980,215 |
| – Short-term borrowing | 6M libor+2.8%~1M libor+150bps | 11,400,128 | 1M Libor+125bps~6M Libor+230bps | 9,448,834 |
| – Long-term payables | 8.02%~12.86% | 347,269 | 8.02%~12.86% | 529,372 |
| – Current portion of long-term payables | 8.02%~12.86% | 100,609 | 8.02%~12.86% | 138,312 |
| Total | | (29,563,684) | | (32,496,445) |

(2) Sensitivity analysis

As at 31 December 2017, it is estimated that a general increase/decrease of 25 basis points (31 December 2016: 25 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's net profit by 55,432,000 and equity by 55,432,000 (2016: 60,931,000 and 60,931,000, respectively).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rate had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis was performed on the same basis for the previous year.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

4. Foreign exchange risk

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

4. Foreign exchange risk (Continued)

- (1) Besides the exposure to currency risk arising from financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss disclosed in Note IV.2 and IV.26, the Group's exposure as at 31 December to currency risk arising from recognized assets or liabilities denominated in foreign currencies is follows. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded. (Continued)

As at 31 December 2017 and 31 December 2016, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company with US currency in base currency translated into RMB is listed as follows:

| | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| | | |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

4. Foreign exchange risk (Continued)

(3) Sensitivity analysis

Assuming other risk variables other than the exchange rate remain unchanged, the exchange rate of the RMB against the U.S. dollar and Hong Kong dollar caused the RMB to appreciate by 2.30% and 2.27% on 31 December 2017 (RMB exchange rate against the U.S. dollar and Hong Kong dollar caused the RMB to depreciate by 2.80% and 2.70% as of 31 December 2016). At the same time, RMB exchange rate against the euro and the Japanese yen depreciated the value of the RMB by 3.06% and 1.22% (on 31 December 2016, the exchange rate of the RMB against the euro and the Japanese yen depreciated the RMB by 2.80% and 1.90%), and this will result in the following increase/(decrease) in shareholder equity and net profit. This effect is converted into RMB at the spot exchange rate on the balance sheet date.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(1) Assets measured at fair value on a recurring basis

The following table presents the Group's assets and liabilities that are measured at fair value in the above three levels as at 31 December 2017:

| Assets | Note | Level 1 | Level 2 | Level 3 | Total |
|---|-------|----------------|----------------|------------------|------------------|
| Financial assets | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Investments in equity instrument held for trading | IV.2 | 183,303 | – | – | 183,303 |
| Derivative financial assets | IV.2 | – | 328,751 | – | 328,751 |
| Hedging instruments | IV.2 | – | 1,360 | – | 1,360 |
| Available-for-sale financial assets | IV.11 | 3,995 | 436,661 | – | 440,656 |
| Financial assets total | | 187,298 | 766,772 | – | 954,070 |
| Non-financial assets | | | | | |
| Investment properties | IV.14 | – | – | 1,679,189 | 1,679,189 |
| Total | | 187,298 | 766,772 | 1,679,189 | 2,633,259 |

| Liabilities | Note | Level 1 | Level 2 | Level 3 | Total |
|---|-------|----------|----------------|-----------------|-----------------|
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | IV.26 | – | (3,025) | – | (3,025) |
| Hedging Instrument | IV.26 | – | – | – | – |
| Financial guarantee contracts | IV.26 | – | – | (37,807) | (37,807) |
| Total | | – | (3,025) | (37,807) | (40,832) |

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value in the above three levels as at 31 December 2016:

| Assets | Note | Level 1 | Level 2 | Level 3 | Total |
|---|-------|---------|---------|-----------|-----------|
| Financial assets | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Investments in equity instrument held for trading | | | | | |
| | IV.2 | 138,072 | – | – | 138,072 |
| Derivative financial assets | | | | | |
| | IV.2 | – | 326,969 | – | 326,969 |
| Hedging instruments | | | | | |
| | IV.2 | – | 1,306 | – | 1,306 |
| Available-for-sale financial assets | | | | | |
| | IV.11 | 2,441 | 30,803 | – | 33,244 |
| Financial assets total | | | | | |
| | | 140,513 | 359,078 | – | 499,591 |
| Non-financial assets | | | | | |
| Investment properties | | | | | |
| | IV.14 | – | – | 1,752,608 | 1,752,608 |
| Total | | | | | |
| | | 140,513 | 359,078 | 1,752,608 | 2,252,199 |

| Liabilities | Note | Level 1 | Level 2 | Level 3 | Total |
|--|-------|---------|----------|-----------|-----------|
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | | | | | |
| | IV.26 | – | (15,838) | – | (15,838) |
| Hedging Instrument | | | | | |
| | IV.26 | – | (4,244) | – | (4,244) |
| Financial guarantee contracts | | | | | |
| | IV.26 | – | – | (57,419) | (57,419) |
| Contingent considerations | | | | | |
| | | – | – | (125,540) | (125,540) |
| Total | | | | | |
| | IV.26 | – | (20,082) | (182,959) | (203,041) |

The Group make the date when matters occurred which result in significant transfers between instruments in the three levels as the point of transfer. During the year, there were no significant transfers between instruments in Level 1 and Level 2 neither nor Level 2 and Level 3.

For traded in active markets financial instruments, the group measures its fair value at an active market price; for not traded in active markets financial instruments, the group uses valuation techniques to determine the fair value. Valuation model mainly used are the discounted cash flow model and market comparable company model etc. Input values of the valuation techniques include the risk free interest rate, benchmark interest rate, exchange rate, credit spreads, liquidity premium, EBITDA multiplier, the lack of liquidity discount etc.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

The Group has appointed qualified valuer to conduct valuation for the fair value of the investment properties. The methods used include income model and cost model. The key assumptions include rental growth rates, capitalisation rates and unit prices.

The following table presents the movement of the non-financial assets in Level 3:

| | Investment properties |
|---|-----------------------|
| 1 January 2017 | 1,752,608 |
| Transferred from fixed assets, intangible assets and construction in progress | 145,775 |
| Total gains for the current period | 12,025 |
| Gains recognised in profit or loss | 5,344 |
| Gains recognised in other comprehensive income | 6,681 |
| Transfer to other assets | (177,374) |
| Disposal | (53,845) |
| 31 December 2017 | 1,679,189 |

| | Investment properties |
|---|-----------------------|
| 1 January 2016 | 730,168 |
| Purchase | 78,176 |
| Transferred from fixed assets, intangible assets and construction in progress | 310,039 |
| Transferred out to the assets classified as held for sale | (26,401) |
| Total gains for the current period | 660,626 |
| Gains recognised in profit or loss | 75,792 |
| Gains recognised in other comprehensive income | 584,834 |
| 31 December 2016 | 1,752,608 |

Finance Department of the Group is responsible for carrying out the valuation of financial assets and financial liabilities. The above valuation results are independently verified and accounted for by the Finance Department of the Group, and disclosure information in relation to fair value is prepared based on the verified valuation results.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

The following table presents the information of the assets measured at fair value in Level 3:

| | Fair value as at
31 December 2017 | Valuation
techniques | Significant unobservable inputs | | | |
|---------------------------------|--------------------------------------|-------------------------|---|-------------------------------|---------------------------------|-----------------------------|
| | | | Name | Scope/
weighted
average | Relationship
with fair value | Observable/
Unobservable |
| Investment properties – | | | Rate of return/capitalisation rate | 6%-8% | | |
| Completed investment properties | 1,265,466 | Income model | Monthly rental (RMB/square meter/month) | 7-9% | (a) | Unobservable |
| | | | Budgeted construction cost to be incurred
(RMB/square meter) | 650-4,600 | | |
| Land use rights | 413,723 | Cost model | Anticipated developer's profit margin | 9%-12% | (a) | Unobservable |
| | | Direct comparison | Market price (RMB/square meter) | 450-2,200 | (a) | Unobservable |

(a) The relationship of unobservable inputs to fair value are as follows:

- The higher of the rate of return/capitalisation rate, the lower of fair value;
- The higher of the expected vacancy rate, the lower of fair value;
- The higher of the monthly rental, the higher of the fair value;
- The higher of the market price, the higher of the fair value;
- The higher of the budgeted construction cost to be incurred, the lower of the fair value;
- The higher of the anticipated developer's profit margin, the lower of the fair value.

| | Fair value as at
31 December 2016 | Valuation
techniques | Significant unobservable inputs | | | |
|---------------------------------|--------------------------------------|-------------------------|---|-------------------------------|---------------------------------|-----------------------------|
| | | | Name | Scope/
weighted
average | Relationship
with fair value | Observable/
Unobservable |
| Investment properties – | | | Rate of return/capitalisation rate | 6%-8% | | |
| Completed investment properties | 1,139,285 | Income model | Monthly rental (RMB/square meter/month) | 7-9% | (a) | Unobservable |
| | | | Budgeted construction cost to be incurred
(RMB/square meter) | 650-4,600 | | |
| Land use rights | 613,323 | Cost model | Anticipated developer's profit margin | 9%-12% | (a) | Unobservable |
| | | Direct comparison | Market price (RMB/square meter) | 450-2,200 | (a) | Unobservable |

XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates (Continued)

(2) Assets measured at fair value on a non-recurring basis

The non-current assets held for sale are measured at the lower of the book value and the fair value less the disposal expenses. As at 31 December 2017, the Group's assets classified as available for sale include investment properties of 26,401,000, fixed assets of 91,825,000, intangible assets of 102,665,000 and construction in progress of 14,312,000 measured at fair value less disposal expenses (Note IV.8). The fair value is estimated based on the present value of estimated future cash flows (26,401,000, 124,243,000, 124,260,000 and 21,885,000), which belongs to the third level.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities in the group measured by the amortised cost method of including: accounts receivable, short-term borrowings, accounts payable, long-term borrowings, debentures payables, long-term payables etc.

As at 31 December 2017, all financial instruments are carried at amounts not materially different from their fair value.

There is an active market for bonds payable and fair value is determined by the quotations in the active market, which belongs to the first level. Fair value of long-term borrowings, long-term payables and debentures payables with no active market is determined by the discounted future cash flow of the contract in accordance with interest that is comparable and offer the same cash flow under the same conditions, which belongs to the third level.

(4) Estimation and assumption of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, available-for-sale financial assets on the balance sheet date.

(a) 公允价值计量的金融资产

Fair value is based on quoted market prices at the balance sheet date for fair values of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss (excluding derivatives), and available-for-sale financial assets if there is an active market.

(b) 公允价值计量的金融负债

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

(c) 公允价值计量的其他非衍生金融资产和负债

The fair value of borrowings, debentures payable, long-term payables and other non-derivatives financial liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

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XIV. FINANCIAL RISK AND FAIR VALUES ESTIMATES (CONTINUED)

6. Fair value estimates (Continued)

(4) Estimation and assumption of fair values (Continued)

(e) 远期合约

The fair value of forward exchange contracts is either based on their listed market prices or by discounting the contractual forward price and deducting the current spot rate. The fair value of interest rate swaps is based on broker quotes. The quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar interest rate instrument at the measurement date.

(f) 金融担保

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

XV. CAPITAL MANAGEMENT

The Group's objectives of managing capital are to safeguard the group's ability of sustainable development in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the group is shareholders' equity shown in the consolidated balance sheet. The group is not subject to external mandatory capital requirements, and use debt to asset ratio to monitor capital.

The Group monitors capital on the basis of Debt-Asset ratio. This ratio is calculated as total liabilities divided by total assets.

In 2017, the Group manages capital status by controlling the Debt-Asset ratio not to exceed 70% (2016: not to exceed 70%). The Debt-Asset ratio as at 31 December 2017 and 2016 were as follows:

| | 31 December
2017 | 31 December
2016 |
|-------------------|---------------------|---------------------|
| Total Liabilities | 87,366,945 | 85,479,956 |
| Total Assets | 130,604,379 | 124,614,748 |
| Debt-Asset ratio | 66.89% | 68.60% |

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

| | 31 December
2017 | 31 December
2016 |
|------------------------|---------------------|---------------------|
| Bank deposits | 1,360,476 | 2,647,574 |
| Other cash balances | 6,400 | 12,648 |
| | 1,366,876 | 2,660,222 |
| Including: cash abroad | – | 519 |

As at 31 December 2017, restricted cash at bank and on hand of the Company amounted to 31,146,000 (31 December 2016: 2,752,000).

As on 31 December 2017, the fixed deposit of the Company in the Financial Company, a subsidiary of the Group, was 1,000,000,000 (31 December 2016: 942,000,000).

2. Dividends receivable

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| CIMC Hong Kong | 3,210,156 | 3,435,198 |
| SCIMC | 592,706 | 592,706 |
| SCIMCEL | 462,372 | 462,372 |
| CIMCVG | 398,970 | – |
| CIMCVL | 156,034 | 149,577 |
| TJCMCLE | 48,915 | 48,915 |
| Modern Logistics | 29,146 | 29,146 |
| SCIMCEL | 19,263 | 19,263 |
| Tianjin Kangde Logistics Equipment Co., Ltd | 411 | 411 |
| XHCIMC | 396 | – |
| CIMC Wood | – | 874 |
| QDSV | – | 17,356 |
| Total | 4,918,369 | 4,755,818 |

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables

(1) Other receivables are analysed by categories of customers as follows:

| | 31 December
2017 | 31 December
2016 |
|----------------------------------|---------------------|---------------------|
| Amounts due from related parties | 13,104,034 | 13,109,464 |
| Deposits and margin | 14,739 | 15,711 |
| Others | 82,949 | 10,821 |
| Sub-total | 13,201,722 | 13,135,996 |
| Less: provision for bad debts | (4,580) | (4,580) |
| Total | 13,197,142 | 13,131,416 |

(2) Other receivables are analysed by aging as follows:

| | 31 December
2017 | 31 December
2016 |
|-------------------------------|---------------------|---------------------|
| Within 1 year (Inclusive) | 9,713,039 | 9,642,304 |
| 1 to 2 years (Inclusive) | 684,266 | 1,530,022 |
| 2 to 3 years (Inclusive) | 1,434,185 | 574,631 |
| Over 3 years | 1,370,232 | 1,389,039 |
| Sub-total | 13,201,722 | 13,135,996 |
| Less: provision for bad debts | (4,580) | (4,580) |
| Total | 13,197,142 | 13,131,416 |

The ageing is calculated starting from the date the other receivable is recognised.

As at 31 December 2017 and 31 December 2016, the Company did not have overdue other receivables that were not impaired.

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(3) Other receivables are analysed by categories as follows:

| | 31 December 2017 | | | | 31 December 2016 | | | |
|--|------------------|--------------------|------------------------------|--------------------|------------------|--------------------|------------------------------|--------------------|
| | Ending balance | | Provision for doubtful debts | | Ending balance | | Provision for doubtful debts | |
| | Amount | % of total balance | Amount | % of total balance | Amount | % of total balance | Amount | % of total balance |
| Other receivables with amounts that are individually significant | 13,161,642 | 99.70% | - | - | 13,066,919 | 99.47% | - | - |
| Other receivables with amounts that are not individually significant | 40,080 | 0.30% | 4,580 | 11.43% | 69,077 | 0.53% | 4,580 | 6.63% |
| Total | 13,201,722 | 100.00% | 4,580 | 0.03% | 13,135,996 | 100.00% | 4,580 | 0.03% |

There were no collaterals that the Company held for other receivables that were made impairment aforesaid.

(4) **Other receivables with amounts that are individually significant and that the related provision for doubtful debts is provided on the individual basis**

As at 31 December 2017 and 31 December 2016, the Company has no other receivables with amounts that are individually significant and that the related provision for doubtful debts is provided on the individual basis.

(5) **Other receivables with amounts that are not individually significant but that the related provision for doubtful debts is provided on the individual basis.**

As at 31 December 2017 and 31 December 2016, the Company has no other receivables with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis.

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

- (6) Other receivables that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

| | 31 December 2017 | | | 31 December 2016 | | |
|---------------|------------------|------------------------------|--------------------|------------------|------------------------------|--------------------|
| | Ending balance | Provision for doubtful debts | | Ending balance | Provision for doubtful debts | |
| | Amount | Amount | % of total balance | Amount | Amount | % of total balance |
| Within 1 year | 34,153 | – | – | 54,449 | – | – |
| 1 to 2 years | 687 | – | – | 6,120 | – | – |
| 2 to 3 years | – | – | – | 3,268 | – | – |
| 3 to 4 years | – | – | – | 660 | – | – |
| 4 to 5 years | 660 | – | – | – | – | – |
| Over 5 years | 4,580 | 4,580 | 100.00% | 4,580 | 4,580 | 100.00% |
| Total | 40,080 | 4,580 | 11.43% | 69,077 | 4,580 | 6.63% |

- (7) The recovery of provision in current year

There were no other receivables that the related provision for doubtful debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year (2016: Nil).

- (8) Other receivables that are written off in current year

There were no material other receivables that are written off in current year (2016: Nil).

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

(9) As at 31 December 2017, the five largest other receivables are analysed as follows:

| | Nature | Amount | Aging | % of total balance | Provision for doubtful debts |
|------------------|-------------------------------|-----------|--|--------------------|------------------------------|
| CIMC Hong Kong | fund transfer, daily transfer | 3,761,960 | Within 1 year, 1 to 2 years | 28.50% | – |
| Jirui C&C Trucks | fund transfer | 1,417,182 | Within 1 year, 1 to 2 years, 2 to 3 years, more than 3 years | 10.73% | – |
| Hongxin Berg | fund transfer | 1,079,848 | 1 to 2 years | 8.18% | – |
| CIMC Leasing | fund transfer | 865,250 | 1 to 2 years | 6.55% | – |
| CIMC RAFFLES | fund transfer | 876,402 | 1 to 2 years | 6.64% | – |
| | | 8,000,642 | | 60.60% | – |

The Company's five largest other receivables as at 31 December 2016 amounted to 7,609,722,000 and accounting for 57.93% of the total other receivables.

(10) Other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows

As at 31 December 2017 and 31 December 2016, no amount due from shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of other receivables.

(11) Receivables from related parties

| Relationship with the Company | | 31 December 2017 | | 31 December 2016 | |
|-------------------------------|--------------|------------------|--------------------|------------------|--------------------|
| | | Amount | % of total balance | Amount | % of total balance |
| Associates | Associates | 82,252 | 0.62% | 575,378 | 4.38% |
| Subsidiaries | Subsidiaries | 13,021,782 | 98.64% | 12,534,086 | 95.42% |
| Total | | 13,104,034 | 99.26% | 13,109,464 | 99.80% |

(12) Other receivables derecognised due to transfer of financial assets

As of December 31 2017, there were no other receivables derecognised due to transfer of financial assets of the Company in the current year (31 December 2016: Nil).

(13) Amount of assets and liabilities recognised due to the continuing involvement of securitised other receivable

As of December 31 2017, there were no securitised other receivables during this year (31 December 2016: Nil).

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 (All amounts in RMB'000 unless otherwise stated)
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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Available-for-sale financial assets

| | 31 December
2017 | 31 December
2016 |
|---|---------------------|---------------------|
| Measured at cost | | |
| Available-for-sale equity instruments (1) | 391,970 | 391,970 |
| Less: provision for impairment | (3,065) | (3,065) |
| | 388,905 | 388,905 |

(1) Related information analysis of available-for-sale financial assets is as follows:

Available-for-sale financial assets measured at cost:

| | 31
December
2016 | Increase
in current
year | Decrease
in current
year | 31
December
2017 | Share
holding
(%) | Cash
dividend
declared |
|--|------------------------|--------------------------------|--------------------------------|------------------------|-------------------------|------------------------------|
| Available-for-sale equity instruments | | | | | | |
| – Cost | | | | | | |
| – BOCM Schroder Stolt Fund
Management | 8,125 | – | – | 8,125 | 5.00% | – |
| – China Railway United Logistics | | | | | | |

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For the year ended 31 December 2017
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VII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments (Continued)

(1) Subsidiaries (Continued):

| Company name | 31 December 2016 | Increase in current year | Decrease in current year | 31 December 2017 | Share holding (%) | Voting rights (%) | Impairment provided in the current year | Cash dividend declared |
|--|------------------|--------------------------|--------------------------|------------------|-------------------|-------------------|---|------------------------|
| QDSV | 26,912 | - | - | 26,912 | 80.00% | 80.00% | - | 5,294 |
| SHOE | 40,000 | - | (40,000) | - | - | - | - | - |
| SZ Investment | 140,000 | - | - | 140,000 | 100.00% | 100.00% | - | - |
| SESKYC | 90,000 | - | - | 90,000 | 100.00% | 100.00% | - | - |
| DLCIMCS | 69,806 | - | - | 69,806 | 100.00% | 100.00% | - | - |
| Container Holding | 4,104,227 | 274,594 | - | 4,378,821 | 100.00% | 100.00% | - | - |
| COOP | 205,022 | - | - | 205,022 | 99.00% | 99.00% | - | - |
| CIMC Modern Logistics Development Co.,Ltd. | 803,904 | - | - | 803,904 | 100.00% | 100.00% | - | - |
| C&C Trucks | 898,977 | 81,616 | - | 980,593 | 70.06% | 70.06% | - | - |
| Offshore Holdings | 35,000 | - | - | 35,000 | 100.00% | 100.00% | - | - |
| Fortune | 13,160 | - | - | 13,160 | 100.00% | 100.00% | - | - |
| Dongguan Jiwang | 30,000 | - | - | 30,000 | 100.00% | 100.00% | - | - |
| Modular design | - | 106,080 | - | 106,080 | 100.00% | 100.00% | - | - |
| Total | 9,375,276 | 523,260 | (314,650) | 9,583,886 | | | - | 947,752 |

For the year ended 31 December 2017
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Fixed asset

| | Plants and buildings | Machinery and equipment | Office and other equipment | Total |
|---|----------------------|-------------------------|----------------------------|-----------|
| Original cost | | | | |
| 31 December 2016 | 115,451 | 24,240 | 124,075 | 263,766 |
| Transfers from construction in progress | 33,294 | 3,604 | 18,105 | 55,003 |
| Decreases in current year | – | (88) | (10,191) | (10,279) |
| 31 December 2017 | 148,745 | 27,756 | 131,989 | 308,490 |
| Accumulated depreciation | | | | |
| 31 December 2016 | (48,594) | (18,219) | (94,581) | (161,394) |
| Depreciation recognised in current year | (3,829) | (1,488) | (7,881) | (13,198) |
| Decreases in current year | – | 79 | 9,154 | 9,233 |
| 31 December 2017 | (52,423) | (19,628) | (93,308) | (165,359) |
| Net book value | | | | |
| 31 December 2016 | 66,857 | 6,021 | 29,494 | 102,372 |
| 31 December 2017 | 96,322 | 8,128 | 38,681 | 143,131 |

The amount of depreciation accrued for fixed assets in 2017 was included in the administrative expenses amounting to 13,198,000 (2016: 12,772,000).

The original price transferred to fixed assets from construction-in-progress was 55,003,000 (2016: 11,323,000).

7. Short-term borrowings

(1) The analysis of the Company's short-term loans is as follows :

| | 31 December 2017 | 31 December 2016 |
|------------------------|------------------|------------------|
| Bank borrowings | | |
| – Unsecured | 350,000 | 2,710,000 |

As of December 31 2017, the short-term loan interest rate ranged from 4.57% to 4.79% (31 December 2016: 4.13% to 4.35%).

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 (All amounts in RMB'000 unless otherwise stated)
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VII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. Financial liabilities at fair value through profit or loss

| | 31 December
2017 | 31 December
2016 |
|--------------------------|---------------------|---------------------|
| Current portion | | |
| – Interest swap contract | 614 | 65 |
| Non-current portion | | |
| – Interest swap contract | – | 3,296 |
| | 614 | 3,361 |

9. Taxes payable

| | 31 December
2017 | 31 December
2016 |
|-----------------------------------|---------------------|---------------------|
| Income tax payable | 1,867 | 2,042 |
| Withholding individual income tax | 1,113 | 1,120 |
| Business tax payable | 2 | – |
| Others | 112 | 484 |
| Total | 3,094 | 3,646 |

10. Interest payable

| | 31 December
2017 | 31 December
2016 |
|-----------------------|---------------------|---------------------|
| Bond interest payable | 86,241 | 70,249 |

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Other payable

- (1) The analysis of the Company's other payables is as follows:

| | 31 December
2017 | 31 December
2016 |
|-----------------------------------|---------------------|---------------------|
| Current account with subsidiaries | 4,622,950 | 2,948,279 |
| Equipment use rights | 8,367 | 16,735 |
| Accruals | 4,870 | 7,592 |
| Quality guarantees | 647 | 429 |
| Others | 13,747 | 17,769 |
| Total | 4,650,581 | 2,990,804 |

- (2) Significant other payables aged over one year

Other payables aged over 1 year are mainly unpaid warranty money.

- (3) As at 31 December 2017, no amount due to shareholders who hold 5% (inclusive) or more of the voting rights of the Company is included in the balance of other payables.

- (4) Other payables to related parties:

| Company name | Relationship with the Company | 31 December
2017 | 31 December
2016 |
|----------------------------------|-------------------------------|---------------------|---------------------|
| Total amount due to subsidiaries | Subsidiaries | 4,622,950 | 2,948,279 |

12. Current portion of non-current liabilities

- (1) The analysis of the Company's current portion of non-current liabilities by categories is as follows:

| Item | Note | 31 December
2017 | 31 December
2016 |
|--|------|---------------------|---------------------|
| Current portion of long-term borrowings
– Unsecured | (2) | 1,095,000 | 800,000 |

- (2) As at 31 December 2017, there were no overdue long-term borrowings of which the durations are extended (31 December 2016: Nil).

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

13. Long-term borrowings

(1) The analysis of the Company's long-term loans is as follows:

| | 31 December
2017 | 31 December
2016 |
|--------------------------------|---------------------|---------------------|
| Bank borrowings
– Unsecured | 1,322,000 | 1,621,000 |

As at 31 December 2017, there were no overdue long-term borrowings of which the durations are extended (31 December 2016: Nil).

As at 31 December 2017, the interest rate of long-term borrowing ranged from 1.20% to 4.45% (31 December 2016: 1.20% to 3.65%).

14. Debentures payable

Information for the Company's debentures payable please refer to Note IV.39.

15. Deferred tax assets and deferred tax liabilities

(1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences

| | 31 December 2017 | | 31 December 2016 | |
|--|--|--|--|--|
| | Deductible/
(taxable)
Temporary
differences | Deferred
tax assets/
(liabilities) | Deductible/
(taxable)
Temporary
differences | Deferred
tax assets/
(liabilities) |
| Deferred tax assets: | | | | |
| Employee benefits payable | 291,949 | 72,986 | 205,760 | 51,440 |
| Movement for fair value of
financial assets at fair value
through profit or loss | 614 | 154 | 3,360 | 840 |
| Sub-total | 292,563 | 73,140 | 209,120 | 52,280 |
| Offsetting amount | – | – | – | – |
| Offsetting balances | 292,563 | 73,140 | 209,120 | 52,280 |
| Including: | | | | |
| Amount estimated or reverse
within 1 year (inclusive) | | 73,140 | | 52,280 |

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(All amounts in RMB'000 unless otherwise stated)
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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16. Capital surplus

| | 1 January
2017 | Increase in
current year | Decrease in
current year | 31 December
2017 |
|---|-------------------|-----------------------------|-----------------------------|---------------------|
| Share premium | 3,601,855 | 73,823 | – | 3,675,678 |
| Other capital surplus: | | | | |
| – Exchange reserve on foreign
currency capital | 687 | – | – | 687 |
| – Donated non-cash assets reserve | 87 | – | – | 87 |
| – Equity settled share-based payment | 253,012 | – | (30,077) | 222,935 |
| Others | (568,492) | – | – | (568,492) |
| Total | 3,287,149 | 73,823 | (30,077) | 3,330,895 |

| | 1 January
2016 | Increase in
current year | Decrease in
current year | 31 December
2016 |
|---|-------------------|-----------------------------|-----------------------------|---------------------|
| Share premium | 3,589,082 | 12,773 | – | 3,601,855 |
| Other capital surplus: | | | | |
| – Exchange reserve on foreign
currency capital | 687 | – | – | 687 |
| – Donated non-cash assets reserve | 87 | – | – | 87 |
| – Equity settled share-based payment | 258,211 | – | (5,199) | 253,012 |
| Others | (568,492) | – | – | (568,492) |
| Total | 3,279,575 | 12,773 | (5,199) | 3,287,149 |

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 (All amounts in RMB'000 unless otherwise stated)
 (English Translation for Reference Only)

XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

17. Other comprehensive income

| | 1 January
2017 | Amount incurred
in current year | | 31 December
2017 |
|---|-------------------|--|---|---------------------|
| | | Pre-tax
amount
incurred in
current year | Post-tax
amount
attributable
to the
Company | |
| Item that may be reclassified
subsequently to profit and loss: | | | | |
| – Property revaluation reserve | 43,754 | – | – | 43,754 |

| | 1 January
2016 | Amount incurred
in current year | | 31 December
2016 |
|---|-------------------|--|---|---------------------|
| | | Pre-tax
amount
incurred in
current year | Post-tax
amount
attributable
to the
Company | |
| Item that may be reclassified
subsequently to profit and loss: | | | | |
| – Property revaluation reserve | 43,754 | – | – | 43,754 |

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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (C)

For the year ended 31 December 2017
 (All amounts in RMB'000 unless otherwise stated)
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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

20. Financial expenses – net

| | 2017 | 2016 |
|------------------------|----------------|------------------|
| Interest expenses | 537,640 | 313,968 |
| Less: Interest income | (332,379) | (203,925) |
| Exchange gain and loss | 469,649 | (468,808) |
| Others | 15,150 | 5,157 |
| Total | 690,060 | (353,608) |

21. Profit arising from changes in fair value

| | 2017 | 2016 |
|---|-------|--------|
| Financial liabilities at fair value through profit or loss for the current period | | |
| – Changes in fair value during the year | 2,747 | 10,895 |

22. Investment income

(1) Investment income by projects

| | 2017 | 2016 |
|--|----------------|------------------|
| Income from long-term equity investment under cost method | 947,752 | 1,242,065 |
| Income earned during the holding period of available-for-sale financial assets | 4,000 | 8,000 |
| (Loss)/Income from disposal of long-term equity investment | (7) | 7,225 |
| Other investment income | 7,904 | 1,775 |
| Total | 959,649 | 1,259,065 |

23. Non-operating income

(1) Non-operating income by categories:

| | 2017 | 2016 |
|------------------|--------------|---------------|
| Government grant | – | 33,047 |
| Others | 7,408 | 10 |
| Total | 7,408 | 33,057 |

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(All amounts in RMB'000 unless otherwise stated)
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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

23. Non-operating income (Continued)

(2) Details of government grants

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(All amounts in RMB'000 unless otherwise stated)
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XVI. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

26. Notes to the cash flow statement

(1) Supplementary information to the cash flow statement:

(1) 2017 2016

| | 2017 | 2016 |
|--|---------|-----------|
| Net profit | 79,106 | 1,827,623 |
| Depreciation of fixed assets | 13,198 | 12,772 |
| Amortisation of intangible assets | 259 | 259 |
| Amortisation of long-term prepaid expenses | 11,103 | 7,107 |
| Loss/(Profit) on disposal of fixed assets, intangible assets | 647 | (50) |
| Profit on change in fair value | (2,747) | (10,895) |

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SUPPLEMENTARY TO THE FINANCIAL STATEMENTS

1. STATEMENT OF NON-RECURRING PROFIT OR LOSS

| | 2017 | 2016 |
|---|------------------|---------------|
| Profit on disposal of non-current assets | 15,635 | 264,552 |
| Government grants recognised in profit or loss for the current period | 472,626 | 497,336 |
| Gains from changes in fair value arising from holding financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, and investment gains arising from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets, except for the effective hedging activities related to the Group's ordinary activities | 125,295 | 399,704 |
| Income from disposal of long-term equity investment | 458,808 | 361,353 |
| Other non-operating income and expenses other than the above items | 335,255 | 139,625 |
| Other non recurring gains and loss items | 143,549 | (1,362,915) |
| Effect of income tax | (326,880) | (422,180) |
| Effect of minority interests (after tax) | (82,114) | 150,765 |
| Total | 1,142,174 | 28,240 |

Note: Aforesaid non-recurring profit or loss was presented at amount before taxation.

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

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2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9 – Earnings per share and return on net assets (2010 revised) and relevant requirements of accounting standard, the calculation of earnings per share and return on net assets of the Company is listed as follows:⁴⁵⁴

Chapter XIV

Annual Report 2017

According to relevant provisions and requirements of the PRC Securities Law and Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the CSRC, as the Director and senior management of the Company, we have carefully reviewed the 2017 Annual Report of the Company and concluded that this annual report truly and objectively represents the business performance of the Company, it contains no false representations, misleading statements or material omissions and its preparing and auditing procedures comply with the requirements of the CSRC and other relevant regulatory authorities.

Chapter XV

Articles of Association

The following documents will be available for inspection at the headquarters of the Company in Shenzhen upon request by the relevant regulatory authorities and Shareholders in accordance with Chinese laws and regulations or the Articles of Association:

1. The annual report signed by the chairman.
2. The financial statements under the hand and seal of the legal representative's authorised person, the person in charge of accounting affairs and the head of the accounting department (accounting officer).
3. The original of the audit report under the seal of Accountants Firms and under the hand and seal of Certified Public Accountants.
4. The original copies of the documents and announcements of the Company published in the newspaper stipulated by the CSRC during the Reporting Period.
5. Copies of the all Chinese and English announcements of the Company published on the websites of Hong Kong Stock Exchange and the Company during the Reporting Period.
6. The Articles of Association.

中国进出口商品交易会 (广交会) 组委会

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