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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 People's Republic of China with limited liability)

(H Share Stock Code: 2039)

(A Share Stock Code: 000039)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (SUMMARY OF THE 2017 ANNUAL REPORT)

1 IMPORTANT NOTICE

- 1.1** The board of directors (the “**Board**”) of China International Marine Containers (Group) Co., Ltd. (the “**Company**”), the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that there are no material omissions from, or misrepresentation or misleading statements contained in this results announcement for the year ended 31 December 2017 (the “**Announcement**”), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this summary of the annual report for the year ended 31 December 2017 (the “**2017 Annual Report**”).

The Announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.cimc.com). The Announcement is a summary of the 2017 Annual Report and the full version of the 2017 Annual Report will be posted on the above websites in due course.

- 1.2** The 2017 Annual Report and the Announcement have been approved at the sixth meeting of the 8th session of the Board in 2018 (the “**Board Meeting**”). All Directors have attended the Board meeting to review and approve this Report and one of the directors, Liu Chong, has attended 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 the 2017 Annual Report and the Announcement.
- 1.3** The financial statements of the Company and its subsidiaries (the “**Group**”) have been prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”). The financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with CASBE, have been audited by PricewaterhouseCoopers Zhong Tian LLP (“**PricewaterhouseCoopers**”), who has issued an audit report with unqualified opinions on the financial statements. The figures in respect of the Announcement have been agreed by PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial report for 2017. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with “Hong Kong Standards on Auditing”, “Hong Kong Standards on Review Engagements” or “Hong Kong Standards on Assurance Engagements” issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

- 1.4 No substantial shareholder of the Company has utilised the funds of the Company for non-operating purposes.
- 1.5 Mr. WANG Hong, Chairman of the Board, Mr. MAI Boliang, CEO and President of the Company, and Mr. ZENG Han, General Manager of the Finance Management Department of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in the 2017 Annual Report and the Announcement.
- 1.6 The proposed profit distribution plan of the Company as considered and approved by the Board is based on the total share capital of the Company as at the date of dividend payment record for 2017, a cash dividend of RMB2.70 (tax inclusive) per 10 shares will be distributed to all shareholders, no bonus shares 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 plan for 2017 shall be submitted to the Company's annual general meeting for consideration and approval.
- 1.7 The Announcement 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. 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.
- 1.8 The reporting period (the “**Reporting Period**”) means the twelve months started from 1 January 2017 and ended on 31 December 2017.
- 1.9 The Announcement is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

2 BASIC INFORMATION OF THE COMPANY

2.1 Basic Information of the Company

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 upgrading, we have formed an industry cluster focusing on key equipment and solutions provided for the logistics and energy industries.

Currently, the Group ranks No. 1 in the world in terms of output and sales of standard dry containers, reefer containers and tank containers, and also, the Group is China's largest manufacturer of road transportation vehicles and one of the leading high-end offshore engineering equipment enterprises in China.

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 the Company's Head Office:	8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, PRC
Principal Place of Business in Hong Kong:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
Website:	http://www.cimc.com
Email:	shareholder@cimc.com

2.2 Contact Persons and Means of Communication

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

3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED IN ACCORDANCE WITH CASBE

3.1 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 information for prior years by the Company due to change of accounting policies and correction of accounting errors

☐Yes ☒No

During the Reporting Period, the Company did not make retrospective adjustments to or restate the accounting data of previous years due to changes in accounting policies and correction of accounting errors.

Unit: RMB thousand

	2017	2016	Changes from previous year to this year after the adjustment (%)	2015 Before the adjustment	After the adjustment
Revenue	76,299,930	51,111,652	49.28%	58,685,804	58,685,804
Net profit attributable to shareholders and other equity holders of the Company	2,509,242	539,660	364.97%	1,974,005	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%	1,721,222	1,751,645
Net cash flows from operating activities	4,275,379	2,341,619	82.58%	(3,610,223)	(3,610,223)
Basic earnings per share (RMB/share)	0.81	0.14	478.57%	0.72	0.74
Diluted earnings per share (RMB/share)	0.81	0.14	478.57%	0.71	0.73
Weighted average return on net assets (%)	8%	2%	6%	8%	8%
	As at the end of 2017	As at the end of 2016	Changes from the end of previous year to the end of this year after the adjustment (%)	As at the end of 2015 (restated) Before the adjustment	After the adjustment
Total assets	130,604,379	124,614,748	4.81%	106,763,171	107,057,065
Total equity attributable to shareholders and other equity holders of the Company	32,460,927	29,285,970	10.84%	28,541,319	28,687,635

3.2 Key Accounting Data of the Group for the Last Five Years

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	<u>1,367,068</u>	<u>511,420</u>	<u>167.31%</u>	<u>1,751,645</u>	<u>2,142,682</u>	<u>1,343,090</u>

Unit: RMB thousand

Assets and liabilities Items	As at 31 December					
	2017	2016	Changes from the previous year to this year (%)	2015 (Restated)	2014 (Restated)	2013
Total current assets	59,001,923	53,352,031	10.59%	43,530,325	45,172,177	41,169,668
Total non-current assets	71,602,456	71,262,717	0.48%	63,526,740	42,794,387	31,436,304
Total assets	130,604,379	124,614,748	4.81%	107,057,065	87,966,564	72,605,972
Total current liabilities	51,421,759	46,249,215	11.18%	45,922,271	43,340,077	32,576,349
Total non-current liabilities	35,945,186	39,230,741	(8.37%)	25,413,879	17,202,785	15,533,495
Total liabilities	87,366,945	85,479,956	2.21%	71,336,150	60,542,862	48,109,844
Equity attributable to shareholders and other equity holders of the Company	32,460,927	29,285,970	10.84%	28,687,635	22,380,369	20,674,037
Minority interests	10,776,507	9,848,822	9.42%	7,033,280	5,043,333	3,822,091
Total equity attributable to shareholders	<u>43,237,434</u>	<u>39,134,792</u>	<u>10.48%</u>	<u>35,720,915</u>	<u>27,423,702</u>	<u>24,496,128</u>

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

3.3 Key Financial Indicators of the Group for the Last Five Years

Key Financial Indicators	2017	2016	Changes from the previous year to this year (%)	2015 (Restated)	2014	2013
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)	1.43	0.79	81.01%	(1.21)	2.41	1.03
Weighted average return on net assets after deducting non-recurring profit or loss (%)	4%	1%	3%	7%	10%	7%

	As at 31 December 2017	As at 31 December 2016	Changes from the previous year to this year (%)	As at 31 December 2015 (Restated)	As at 31 December 2014	As at 31 December 2013
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%

3.4 Non-recurring Profit or Loss Items of the Group for the Last Three Years

<i>Unit: RMB thousand</i>			
Items	2017	2016	2015 (Restated)
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

4 SHAREHOLDINGS AND SHAREHOLDING STRUCTURE CHART

4.1 Number of Shareholders and Shareholdings

As at 31 December 2017, the Company had a total of 2,982,889,136 shares in issue, including 1,266,312,527 A shares and 1,716,576,609 H shares.

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 minimum public float of the Company satisfied the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The total number of shareholders of the Company as at 28 February 2018, being the end of the month preceding the Announcement, was 76,311, including 76,298 holders of A shares and 13 registered holders of H shares.

4.2 Shareholdings of the Top Ten Shareholders as at the End of the Reporting Period (Prepared According to the Relevant Provisions of Domestic Securities Regulatory Rules)

Name of shareholders	Nature of shareholders	Shareholdings of the shareholders who hold above 5% or the top ten 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
HKSCC Nominees Limited (<i>Note 1</i>)	Foreign legal person	58.02%	1,730,538,352	79,225,281	0	1,730,538,352
COSCO Container Industries Limited (<i>Note 2</i>)	Foreign legal person	14.49%	432,171,843	0	0	432,171,843
China Securities Finance Corporation Limited	State-owned legal person	2.61%	77,885,620	(8,781,447)	0	77,885,620
Central Huijin Asset Management Ltd.	State-owned legal person	1.27%	37,993,800	0	0	37,993,800
National Social Security Fund 413	Domestic non-state-owned legal person	0.34%	9,999,839	9,999,839	0	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	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	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	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	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	0	9,566,600
Explanation on the relationship or concerted action of the above Shareholders	Unknown					

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 Limited (“China Merchants Group”) through its certain subsidiaries (including China Merchants Industry Holdings Limited, Soares Limited and China Merchants (CIMC) Investment Limited), 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 Investments Limited and 220,520,075 H shares directly held by COSCO Container Industries Limited.

Note 2: As at 31 December 2017, COSCO Container Industries Limited 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.

4.3 Disclosure of Substantial Shareholders under the Securities and Futures Ordinance of Hong Kong

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 (%)
China Merchants Group ¹	H shares	732,726,617(L)	Interest of corporation controlled by the substantial shareholder	42.69%	24.56%
China COSCO Shipping ²	A shares	432,171,843(L)	Interest of corporation controlled by the substantial shareholder	34.13%	14.49%
	H shares	245,842,181(L)	Interest of corporation controlled by the substantial shareholder	14.32%	8.24%
Hony Group Management Limited ³	H shares	358,251,896 (L)	Interest of corporation controlled by the substantial shareholder	20.87%	12.01%
Broad Ride Limited ³	H shares	215,203,846 (L)	Beneficial holder	12.54%	7.21%
	H shares	143,048,050 (L)	Person having security interest in shares	8.33%	4.80%
Promotor Holdings Limited	H shares	143,048,050 (L)	Beneficial holder	8.33%	4.80%

(L) Long position

Note 1: China Merchants Group, through its subsidiaries (including China Merchants Industry Holdings Co., Ltd., Soares Limited and China Merchants (CIMC) Investment Limited etc.), holds an interest in the H shares of the Company, and all the 732,726,617 H shares (long position) are held in the capacity as interest of corporation controlled by the substantial shareholder.

Note 2: China COSCO Shipping, through its subsidiaries (including China Shipping (Group) Company, COSCO SHIPPING Development Co., Ltd. (“COSCO SHIPPING Development”), Long Honour Investments Limited and COSCO Container Industries Limited etc.), holds an interest in the A Shares and H Shares of the Company, and 432,171,843 A Shares and 245,842,181 H Shares (long position) are held in the capacity as interest of corporation controlled by the substantial Shareholder.

Note 3: Honoy Group Management Limited, through certain subsidiaries (including Broad Ride Limited) holds an interest in the H shares of the Company, and 215,203,846 H shares (long position) are held in the capacity as interest of corporation controlled by the substantial shareholder and 143,048,050 H Shares are held in the capacity as person having security interest in shares.

Save as disclosed above and so far as the directors are aware, as at 31 December 2017, no other person (other than a director, supervisor or chief executive of the Company) had any interests recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

4.4 Information on Substantial Shareholders

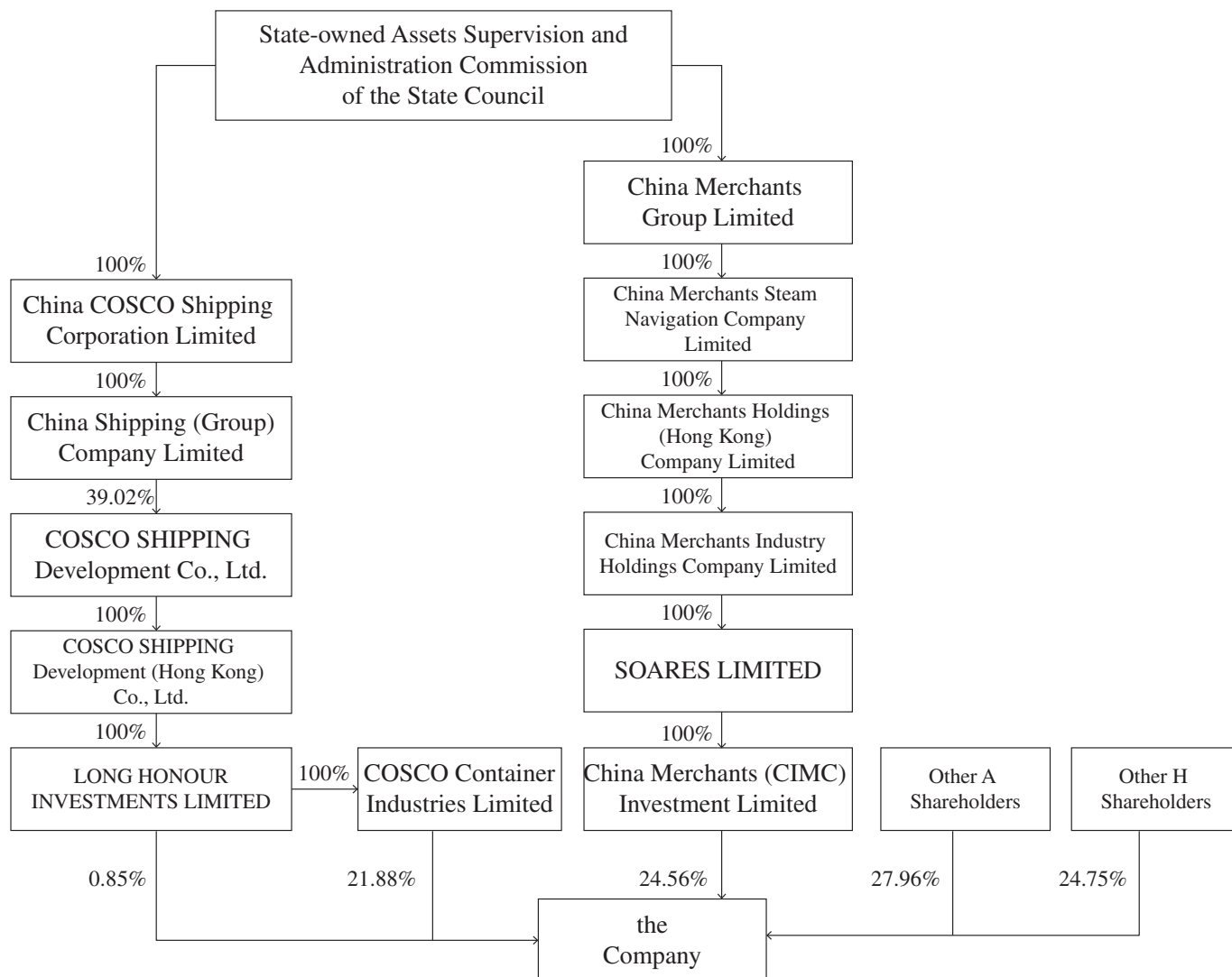
The Company has no controlling shareholder or actual controller, and there was no change during the Reporting Period. As of the end of the Reporting Period, the substantial shareholders of the Company are China Merchants Group and China COSCO Shipping.

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 (banking, 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 Limited, 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 Limited, Soares Limited and China Merchants (CIMC) Investment Limited) 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 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 indirectly, through its subsidiaries (including China Shipping (Group) Company, COSCO SHIPPING Development, Long Honour Investments Limited and COSCO Container Industries Limited, etc.) held 22.73% of the issued shares of the Company.

Apart from China Merchants Group and China COSCO Shipping, no other legal person holds shares representing 10% or more of the total issued share capital of the Company (excluding HKSCC Nominees Limited).

Chart of Shareholding Structure between the Company and the Substantial Shareholders as at the end of the Reporting Period



5 DIRECTORS' REPORT

5.1 Overview

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, 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.

The financial data set out below is extracted from the audited financial statements of the Group prepared under CASBE. The following discussion and analysis should be read in conjunction with the audited financial statements of the Group and their accompanying notes as set out elsewhere in the Announcement.

Consolidated Operating Results

	<i>Unit: RMB thousand</i>		
	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%)

5.2 Review of the Principal Businesses of the Group during the Reporting Period

Container Manufacturing Business

The Group's container manufacturing business mainly consists of 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. Special reefers include 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 No. 1 in the industry in terms of production and sales of containers.

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" (《大氣污染防治法》), 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"* (《集裝箱行業自律公約》), 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 plants.

To seize the opportunity of urban renewal, accelerate land commercialisation projects and increase value of resources held currently, in August 2017, Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (a wholly-owned subsidiary of the Company, "**Southern CIMC**") 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 commenced 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 Company's website (www.cimc.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 3 August 2017.

Road Transportation Vehicle Business

With "the world's local CIMC (全球運營，地方智慧)" as its business philosophy, CIMC Vehicle (Group) Co., Ltd. ("**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 semi-trailers, 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.

Energy, Chemical and Liquid Food Equipment Business

The Group's subsidiary CIMC Enric Holdings Limited ("**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 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 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 SinoPacific Offshore & Engineering Co., Ltd. (“SOE”) and changed its name to “Nantong CIMC SinoPacific Offshore & Engineering Co., Ltd. (南通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”. 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.

Offshore Engineering Business

Established under CIMC Raffles Offshore (Singapore) Limited (“**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 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 (Floating Liquefied Natural Gas Production Storage and Offloading), FSRU (Floating Storage and Regasification Unit), 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 and 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 Floating Production Storage and Offloading Units (FPSO), the cruise ships, and the development equipment and dismantling equipment for offshore oil fields have been completed.

Logistics Service Business

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 remains 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 rail-water 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 increase 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 seek 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 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” light 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 cross-border 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.

Heavy Truck Business

The Group operates the heavy truck business through its subsidiary C&C Trucks Co., Ltd. (“**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, 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 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 Iran-Kazakhstan market in 2017. Meanwhile, the expansion of five new channels, being the Kazakhstan, Korea, Ethiopia, Gabon and Mongolia markets, have 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 Global Limited (“**Pteris**”), Shenzhen CIMC-Tianda Airport Support Co., Ltd. (“**Tianda**”) and Albert Ziegler GmbH (“**Ziegler**”). The Group also integrates and achieves synergy with its subsidiary China Fire Safety Enterprise Group Limited (“**CFE**”) over the advantages of resources, of which principal business includes boarding bridge and peripheral business, ground support equipment (GSE), 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 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 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 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.
- In respect of 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 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, but subject to approval at the CFE general meeting. 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.

In respect of the industrial city development business

The Group's industrial city development business is operated mainly through its subsidiary Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. ("**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 Containers Co., Ltd. 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 announcements dated 17 July 2017 disclosed 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).

Financial Business

The Group's financial business is devoted to establish a financial service system which matches the Group's strategic role as a global leading manufacturer, to enhance the efficiency and effectiveness of the Group's internal capital utilisation, and to provide various financial measures for the Group's strategy extension, business model innovation, industrial structure optimisation and overall competitiveness enhancement. Main operating subsidiaries consist of CIMC Financial Leasing Co., Ltd. (**"CIMC Financial Leasing Company"**) and CIMC Finance Co., Ltd. (**"CIMC Finance Company"**).

In 2017, the global economy recovered moderately. Domestic industrial restructuring continued to deepen and the quality of economic growth has been continuously improving. The financial leasing industry experienced an overall stable development with a slower growth amid the reshuffle of economic drivers and more varied situations across different industries. Under the influence of moderately tight neutral monetary policy, deleveraging, and the strict regulation, financing costs of financial leasing companies rose, and competition in product differentiation among companies intensified. In 2017, China's economy focused on supply-side structural reform, structure optimization promotion, driving-force transformation, and quality improvement, presenting a "steady and positive" trend and displaying a stronger economic resilience. With the overall stringent financial regulatory environment, China Banking Regulatory Commission carried out regulatory governances like credit risk inspections special rectification campaign. Financial deleveraging was substantially promoted.

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 financial institutions, proactively broadened financing channels, explored different ways of asset securitization financing, created independent financial systems and secured funding resources for the Company's development. As for internal management, the organisational structure of the Company was further optimised, improving the professionalism in the operation of all business segments of the Company. For the year as a whole, investment in new businesses remained stable, business portfolios continuously optimised and the ability of comprehensive risk management greatly improved, which has established a solid basis for sustainable and healthy growth in the future.

In 2017, CIMC Finance Company continued to work for the “quality growth” as required by the Group, and stuck to the core strategic position for itself as “an operator of centralised global funds, a provider of comprehensive financial services, a collaborator of the Group’s strategy implementation, and a creator of value from integration of industry and finance”. It adhered to the general principle of making progress while ensuring stability and maintained stable growth of its main businesses. Total amount of finance provided for the whole year amounted to RMB12.4 billion. To enhance business capabilities, during the Reporting Period, CIMC Finance Company proactively adopted the following measures: (1) It continuously enhanced and improved the centralized capital management for its worldwide channels, effectively adopted different methods to expand the breadth and depth of the centralized capital management, efficaciously saved financial costs and improved efficiency and effectiveness on the use of funds through unified fund operation and allocation. (2) It strengthened financial service abilities with abundant financial products and service strategies. In March 2017, it became a member of the commercial paper exchange as approved by the Shanghai Commercial Paper Exchange and joined a nationwide unified commercial paper exchange platform in China, improving the operation capacity of the Group with respect to commercial paper. After receiving People’s Bank of China’s approval in June, it further expanded the scope of foreign enterprises for its cross-border two-way Renminbi capital pool and extended its services to various business segments. (3) By fully utilising different financial tools and strategies, it assisted the Group in strengthening its liquidity management, strictly controlled capital risk and the gearing level and effectively supported the implementation of the Group’s strategies. (4) With the principle of client-centric and focusing on industry demands, CIMC Finance Company strengthened the deep integration of business segments, assisted the industry in expanding its sales through buyer’s credit business, improved market competitiveness, and effectively promoted the business development of the Group.

Other Businesses:

Modular Building Business

CIMC Modular Building Investment Company Limited (中集模塊化建築投資有限公司) (“**CIMC Modular**”), a subsidiary of the Group, operates modular building business, and developed a one-stop service model of “Manufacturing + Finance + Service” integrating industry and finance. During the Reporting Period, 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 building 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 centre. At the same time, the steel structure integration modular building system procedures of CIMC passed final examination and have become the inspection standard for several domestic projects.

Multimodal Transport Business

During the Reporting Period, the businesses of CIMC Multimodal Transport developed rapidly and a preliminary business layout has been formed through the combined development of rail-water transport and various other modes of transport. In 2017, in respect of its business network layout, CIMC Multimodal Transport launched container trains for 10 different rail lines, its businesses encompassing regions in South, Central, South-west, North-west and North China. Offices have been established in various cities to penetrate the local market and improve service capabilities. Stable transportation routes and business models have been established as a result of the rapid development in mass freight railway transportation and special cargo railway transportation for coke, liquid food, mineral products and other cargo, while subsidiaries have also been formed to effectively expand regional businesses. Based on its iron and steel logistics business, transportation routes for bulk cargo have been formed along the coast, while management and marketing capabilities of its fleets improved significantly during the Reporting Period. In respect of its cargo collection and distribution system, its warehouse distribution business have been vigorously developed around the layout of its railway routes, thereby improving service and profitability competitiveness of its multimodal transport business. As for its business platform, the online platform for business operations and management has been launched during the Reporting Period, continuing to promote the practical application of the internet, IoT and other new technologies, as well as exploring other relevant internet products.

5.3 Business Prospects of the Group in 2018

5.3.1 Macroeconomic Environment and Policies

In 2018, the global economy in general will continue to maintain a recovering growth momentum. According to the IMF projections, the growth rate of the global economy will reach 3.7% in 2018. 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, a new emerging awareness of trade protectionism as well as the U.S initiating global trade war, the global environment for development will be more complex and volatile while economic growth faces more uncertainties with further increasing risks.

5.3.2 Industry Development Trend and Market Outlook

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 road transportation vehicle business, in 2018, it is expected that the overall economy of the United States will be buoyant while the semi-trailer industry in the United States will remain the same or decrease moderately as in 2017. With the reducing impact of Brexit and the recovering European economy, market growth is also expected to recover. Along with the better demand for resources and increasing governmental infrastructure projects, the emerging market is expected to improve. Growth slowdown of China's macro-economy coupled with gradual alleviation on the implementation of regulating policy measures for road transportation (including management of serious over-speeding, passenger overload as well as traffic overload), it is expected that future demand will rebound and develop at a sound and steady pace.

In respect of the energy, chemical and liquid food equipment business, as international oil prices rebound along with the intensive release and implementation of various market-oriented reform measures for natural gas in the country (including the "Thirteenth Five-Year" Plan for Energy Development (《能源發展"十三五"規劃》) issued in 2016 and the Notice on Opinions on Accelerating the Utilisation of Natural Gas (《加快推進天然氣利用的意見》) issued in 2017, it is expected that the utilisation of natural gas for domestic urban and industrial use, gas-fired electricity generation, vehicle and transportation and other areas will continue to increase, and natural gas consumption will be back on track in attaining high speed growth. In addition, the chemical, liquid food and energy industry will experience rapid growth with the increased development of China, Southeast Asia, India, Russia and other emerging market economies. Multimodal transport and construction of logistics infrastructures and facilities are encouraged by relevant government authorities, which will facilitate the penetration of the Group's tank containers in the logistics industry in China.

In respect of the offshore engineering business, in 2018, it is expected that fossil fuel and natural gas will remain as energy sources in the global energy structure with the greatest growth potential. Although the Brent crude oil price reached almost USD70 per barrel at the end of 2017, global offshore engineering equipment businesses 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.

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. 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 macro-economy 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.

5.3.3 Overall Operation Targets and Initiatives for Main Business Segments

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 resources, 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 business, 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 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 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 staked-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 2018, CIMC Enric will continue to enhance its core competitiveness on the foundation of enhancing growth and innovation within the Group, as well as achieving steady and sustainable development through its new businesses, technologies and business models. As for its energy equipment business, CIMC Enric will consolidate and continue to expand its existing integration capabilities in design, engineering, equipment assembly and equipment application covering the upstream, midstream and downstream sectors of the natural gas industry. The energy equipment segment of CIMC Enric will expand into the entire natural gas industry chain, especially in the use of liquefied natural gas, and at the same time actively developing natural gas-based clean energy fuel storage and transportation as well as natural gas distributed power generation, and also vigorously exploring other possible

businesses expansions along the clean energy value chain. As for its chemical equipment business, CIMC Enric will strive to continue its research and development of different special tank containers, particularly focusing on the development and application of new tank container materials and special tank containers for railways in China and Europe, as well as developing more after-sales service businesses and establishing a new tank containers IoT model to help customers improve efficiency and explore the experience of digitalised operations. As for the liquid food equipment business, CIMC Enric will continue to enhance the brand advantages of “Ziemann Holvrieka” and “Briggs”, expanding the global market and the non-beer food equipment and engineering business through all dimensions of the beer industry chain and liquid food business.

In respect of the offshore engineering business, in 2018, the Group’s offshore engineering business will continue to actively implement transformation and arrangement of its businesses, expanding its oil and gas business into relevant diversified businesses, specifically including the following measures: in terms of market, by revising and optimising market business approaches and directions based on the analysis of external environment and the progress of internal expansion, the Group will focus on achieving breakthroughs in its advantages and reliable businesses; in terms of design, by continuously promoting design standardisation, the Group aims to enhance its production efficiency and design quality; in terms of purchasing, with the offshore engineering business transformation and upgrade, the Group will establish a streamlined lean supply chain to improve its core competitiveness; in terms of production, by establishing an internal management system based in its operation areas to improve its streamlining productivity; in terms of project, by establishing a project management model that is suitable for corporate structure reform to improve its core competitiveness

In respect of the logistics services business, in 2018, the logistics services business of the Group will stick to the principles of “Focus on the main business, Fortify and cultivate the fundamentals” and “Coordinate and lead the segments, Activate the directly administered enterprises” and continuously develop existing businesses. By simultaneously carrying out the following initiatives: letting relevant segments take the lead, expanding network distribution, building channels and perfecting domestic and international network distribution; and focusing on specific business areas including vehicles, food, cold chain and import, the Group aims to promote sustainable and healthy business growth. The Group will also strengthen its marketing system building, unify the equipment resource pool of container and unitised logistics equipment to better the supportive role of equipment to its businesses as well as building a core digitalised operating platform. Through financial means such as leasing and financial leasing, the Group will push forward its business development. The Group will put greater efforts into building a unified corporate culture and facilitate a clear market brand and reputation. The Group will continue to promote lean management and HSE management.

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 mode 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 responsibility 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.

5.3.4 Main Risk Factors for Future Development of the Group

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 implementation of 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. The Group's exchange risks are mainly attributable to the foreign currency exposure resulting from the settlement of sales, purchases and finance in currencies other than RMB. During the process of promoting Renminbi internationalisation, and under the backdrop of constant volatility in the global financial market, the exchange rate of the RMB against the USD will fluctuate with increased frequency and volatility, thus making it more difficult for the Group to manage its foreign currencies and capitals.

Market competition risks: the Group faces competition from both domestic and foreign enterprises in respect of its various principal businesses. In particular, a weak demand or relative overcapacity will lead to an imbalance between supply and demand, which will cause an intensified competition in the industry. Besides, the competition pattern of the industry may change due to entry of new players or improved capacity of existing rivals.

Employment and environmental protection pressure and risks: with demographic changes in China and gradual loss of demographic dividend, China's manufacturing industries see constantly soaring labour costs. Automation represented by robots is becoming one of the key directions for future upgrading of the traditional manufacturing industries. In addition, China has been attaching increasing attention on environmental protection and carrying out sustainable development strategies, strengthening environmental protection requirements for China's traditional manufacturing industries.

6 MANAGEMENT DISCUSSION AND ANALYSIS (PREPARED ACCORDING TO THE RELEVANT REQUIREMENTS OF THE HONG KONG LISTING RULES)

The financial data set out below is extracted from the audited financial statements of the Group prepared under CASBE. The following discussion and analysis should be read in conjunction with the audited financial statements of the Group and their accompanying notes as set out elsewhere in the Announcement.

Income Analysis by Segment and Region

The following table sets out the Group's revenue from various major business segments and the percentage in total revenue during the following periods:

Unit: RMB thousand

Segment	2017		2016	
	Amount	Percentage in total revenue (%)	Amount	Percentage in total revenue (%)
Containers	25,046,697	32.83%	11,066,999	21.65%
Road transportation vehicles	19,520,664	25.58%	14,694,682	28.75%
Energy, chemical and liquid food equipment	11,846,200	15.53%	9,353,786	18.30%
Offshore engineering	2,485,417	3.26%	4,305,630	8.42%
Airport facilities equipment	3,596,511	4.71%	3,213,229	6.29%
Logistics services	8,195,452	10.74%	7,129,456	13.95%
Financial business	2,340,641	3.07%	2,302,412	4.50%
Real estate	1,006,792	1.32%	723,090	1.41%
Heavy trucks	2,565,745	3.36%	1,725,766	3.38%
Others	3,119,337	4.09%	2,219,576	4.34%
Combined offset	(3,423,526)	(4.49%)	(5,622,974)	(10.99%)
Total	<u>76,299,930</u>	<u>100.00%</u>	<u>51,111,652</u>	<u>100.00%</u>

The following table sets out the Group's revenue from various regions and the percentage in total revenue during the following periods:

Unit: RMB thousand

Region (by receivers)	2017		2016	
	Revenue	Percentage in total revenue (%)	Revenue	Percentage in total revenue (%)
China	32,769,171	42.95%	23,563,045	46.10%
America	18,482,055	24.22%	9,718,213	19.01%
Europe	18,029,736	23.63%	8,068,004	15.79%
Asia (excluding China)	5,412,665	7.09%	7,266,749	14.22%
Others	1,606,303	2.11%	2,495,641	4.88%
Total	<u>76,299,930</u>	<u>100.00%</u>	<u>51,111,652</u>	<u>100.00%</u>

In 2017, by region, the proportion in revenue from America and Europe have recorded an increase, while the proportion in revenue from China and other regions in Asia have reported a decrease. For specific analysis, please refer to the section headed “5.2 Review of the Principal Businesses of the Group during the Reporting Period” herein.

Cost of Sales and Gross Profit

The following table sets out the Group's cost of sales of various major business segments and the percentage in total cost of sales during the following periods:

Unit: RMB thousand

Segment	2017		2016	
	Cost of sales	Percentage in total cost of sales (%)	Cost of sales	Percentage in total cost of sales (%)
Containers	21,145,197	33.94%	9,889,804	23.84%
Road transportation vehicles	15,938,947	25.59%	11,930,401	28.76%
Energy, chemical and liquid food equipment	9,647,457	15.49%	7,578,594	18.27%
Offshore engineering	2,518,136	4.04%	3,867,815	9.32%
Airport facilities equipment	2,847,120	4.57%	2,574,119	6.21%
Logistics services	7,406,255	11.89%	6,350,562	15.31%
Financial business	896,293	1.44%	1,012,075	2.44%
Real estate	581,956	0.93%	381,781	0.92%
Heavy trucks	2,433,272	3.91%	1,693,072	4.08%
Others	2,933,122	4.71%	1,967,530	4.74%
Combined offset	<u>(4,055,040)</u>	<u>(6.51%)</u>	<u>(5,763,736)</u>	<u>(13.89%)</u>
Total	<u>62,292,715</u>	<u>100.00%</u>	<u>41,482,017</u>	<u>100.00%</u>

The following table sets out the Group's gross profit and gross profit margin of various major business segments during the following periods:

Unit: RMB thousand

Segment	2017		2016	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
Containers	3,901,500	15.58%	1,177,195	10.64%
Road transportation vehicles	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 services	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 trucks	132,473	5.16%	32,694	1.89%
Others	186,215	5.97%	252,046	11.36%
Combined offset	631,514	—	140,762	—
Total	<u>14,007,215</u>	<u>18.36%</u>	<u>9,629,635</u>	<u>18.84%</u>

In 2017, the Group's cost of sales amounted to RMB62,293 million (2016: RMB41,482 million), representing a year-on-year increase of approximately 50.17%; the overall gross profit margin amounted to 18.36%, approximately at the same level as compared with the previous year. For all segments, the container, airport facilities, financial 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 services and real state segments recorded a decline. For specific analysis, please refer to the section headed "5.2 Review of the Principal Businesses of the Group during the Reporting Period" in the Announcement.

Non-operating Income

In 2017, 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" during the Reporting Period. The comparative figures for 2016 are not restated.

Technology Development Costs

In 2017, the Group's technology development costs amounted to RMB651.729 million (2016: RMB519.440 million), representing a year-on-year increase of 25.47%, mainly due to the increased investment in technology R&D of the Group during the Reporting Period.

Selling and Distribution Expenses

In 2017, the Group's selling and distribution expenses amounted to RMB2,926.718 million (2016: RMB2,156.980 million), representing a year-on-year increase of 35.69%, mainly due to the increase in transportation and distribution expenses, employ benefits and warranties during the Reporting Period, which have increased along with the revenue growth.

General and Administrative Expenses

In 2017, the Group's general and administrative expenses amounted to RMB5,482.054 million (2016: RMB4,208.598 million), representing a year-on-year increase of 30.26%, mainly due to the increase in employ benefits, office expenditures, entertainment fee and others during the Reporting Period.

Financial Expenses-net

In 2017, the Group's financial expenses amounted to RMB1,446.321 million (2016: RMB719.109 million), representing a year-on-year increase of 101.13%, mainly due to the increase in interest expenses and exchange losses during the Reporting period.

Provisions for Asset Impairment

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 for the termination of the acquisition of the equity interest in SOE in 2016, resulting in higher comparative amounts in the same period.

Income Tax Expenses

In 2017, taxes paid by the Group amounted to RMB1,250.826 million (2016: RMB967.068 million), representing a year-on-year increase/decrease of 29.34%. Please refer to note 9 to "8 Financial Report" in the Announcement for details.

Profits Attributable to Minority Shareholders

In 2017, the Group's profits 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 change in profit in subsidiaries of minority shareholders.

Cash Flows

Details of the cash flows of the Group during the Reporting Period are as follows:

<i>Unit: RMB thousand</i>			
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%)

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.

Liquidity and Financial Resources

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%. The Group's cash at bank and on hand primarily consist of cash and bank deposits which are mainly denominated in RMB and US dollars.

The Group's development funds primarily consist of cash derived from operation and bank loans. The Group's cash demands mainly come from production and operation, payment of matured liabilities, 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 due and ensure the development of our businesses.

Bank Loans and Other Borrowings

As at 31 December 2017, the Group's short-term borrowings, long-term borrowings, debentures payable and other current liabilities (issuance of commercial papers) amounted to a total of RMB52,014.876 million (31 December 2016: RMB55,932.185 million).

Unit: RMB thousand

	31 December 2017	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
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	<u>52,014,876</u>	<u>55,932,185</u>

Interest capitalised by the Group for the year of 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 are mainly expired within 5 years.

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).

Capital Structure

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). At the end of the Reporting Period, the gearing ratio of the Group was 66.89% (31 December 2016: 68.60%), representing a decrease of 1.71 percentage points. The gearing ratios were calculated based on our total liabilities as at the respective dates divided by our total assets. 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.

Foreign Exchange Risk and Relevant Hedge

The majority currency of the Group's business revenue is U.S. dollars, while most of its expenditure is made in Renminbi. 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 Renminbi are affected by domestic and international economic and political situations, and demand for and supply of Renminbi, 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 generated by 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 to take appropriate measures to avoid foreign exchange risk.

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 USD1,452,170,000, 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.

Credit Risk

The Group's credit risk is primarily attributable to monetary funds, receivables and derivative financial instruments entered into for hedging purposes and etc. Exposure to these credit risks are monitored by management on an ongoing basis.

Capital Commitments

As at 31 December 2017, the Group had capital expenditure commitments of approximately RMB142.718 million (31 December 2016: RMB417.786 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. Please refer to note 13 to "8 Financial Report" in the Announcement for details.

Pledge of Assets

As at 31 December 2017, restricted assets of the Group amounted to a total of RMB9,815.725 million (31 December 2016: RMB9,756.883 million), with details summarised as follows:

Unit: RMB thousand

	31 December 2016	Current year addition	Current year decrease	31 December 2017
Assets used as collateral				
– Cash at bank and on hand	987,257	424,136	(57,557)	1,353,836
– Notes receivable	206,753	38,486	(151,704)	93,535
– Long-term receivables	8,164,729	307,977	(457,683)	8,015,023
– Fixed assets	398,144	–	(44,813)	353,331
Total	<u>9,756,883</u>	<u>770,599</u>	<u>(711,757)</u>	<u>9,815,725</u>

Long-term receivables were pledged for loans, and notes receivable were used for rediscount, pledge of guarantee and bill pool pledge. Cash at bank and on hand with restrictions comprised margin deposits and deposits placed in People's Bank of China by CIMC Finance Company, a subsidiary of the Company. Restricted fixed assets are used as collateral for long-term payables.

Significant Investments and Major Acquisitions and Sales Relating to Subsidiaries and Associated Companies

Significant external investments of the Group during the Reporting Period are listed below:

Major investees		Equity interests of the investee held by the Company (%)	Investment made in the Reporting Period (RMB thousand)
Company name	Main business		
Zhengzhou Jinte Logistics Automation System Co., Ltd.	Sale, design and technical service of modern logistics automation system and high speed sorting systems	100%	19,610
Qindao Leader Chemical Co., Ltd.	Manufacturing and sales of sealant products; processing and sales of rubber components, plastic components and water-based paint	70%	28,199
青島力達新橡塑製品有限公司	Manufacturing and sales of rubber components, plastic components and metal structures; development of containers parts	70%	1,530
SOE	Transportation and storage of LPG in the offshore oil and natural gas industry, offshore cranes, offshore modules and liquid cargo handling system	100%	799,800

Name of the disposed subsidiary	Disposal method	Amount gained from disposal (RMB thousand)	Effect on production and operations and results of the Group
Shenzhen CIMC Electricity Commerce and Logistics Technology Co., Ltd. (深圳中集電商物流科技有限公司) ("CIMC Electricity Commerce")	Disposal of 78.236% equity interests held in CIMC Electricity Commerce	633,715	No material effect on the Group's production and operations. Investment gain for the Reporting Period is RMB483,588,000.

Future Plans for Significant Investments, Expected Source of Funding, Capital Expenditure and Financing Plan

The Group's operating and capital expenditures are mainly financed by our own 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, mainly used in the acquisition of fixed assets, intangible assets and long-term assets etc. The Group will consider various types of financing activities to meet future capital expenditure and working capital requirements.

Contingent Liabilities

As at 31 December 2017, the Group had major contingent liabilities of approximately RMB125.286 million (31 December 2016: RMB83.248 million). Please refer to note 12 to "8 Financial Report" in the Announcement for details.

Use of Proceeds

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). As at 31 December 2017, all of the proceeds raised had been used to replenish the working capital of the Group.

Employees and Remuneration Policies

As at 31 December 2017, there were approximately 50,689 employees of the Group (31 December 2016: 51,299) in the PRC. The total staff cost during the Reporting Period, including directors' remuneration, contribution to the retirement benefit schemes and share option schemes, amounted to approximately RMB7,402.385 million (2016: RMB5,925.685 million).

The Group provides salary and bonus payment to its employees based on their performance, qualification, experience and market conditions. The share option 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 the market conditions.

Employee Training Programme

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, etc.) to conduct effective career management and clarify career development direction for its employees with a view to increasing their capabilities.

Employee Pension Benefits

The Group has provided employees with basic pension insurance 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 capitalised in costs of related assets.

Share Option Incentive Scheme

The implementation of share option incentive scheme is helpful for the Group 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 short-term and long-term goals 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.

In order to establish and improve the incentive-constraint mechanism, and effectively combine the interests of the shareholders, the Company and its employees, an A share(s) share option incentive scheme was considered and approved at the extraordinary general meeting of the Company on 17 September 2010. According to such scheme, the first tranche of 54,000,000 share options (the **“First Tranche of Share Options”**) were registered on 26 January 2011 and the reserved 6,000,000 share options (the **“Second Tranche of Share Options”**) were registered on 17 November 2011.

Upon the consideration and approval at the eighth meeting of the seventh session of the Board in 2015, the second exercisable period for the First Tranche of Share Options has met the exercise conditions on 12 May 2015 and its actual exercisable period was from 2 June 2015 to 27 September 2020 with the total exercisable options amounting to 39,660,000. Upon the consideration and approval at the fourteenth meeting of the seventh session of the Board in 2015, the second exercisable period for the Second Tranche of Share Options has met the exercise conditions on 9 October 2015 and its actual exercisable period was from 24 October 2015 to 27 September 2020 with the total exercisable options amounting to 4,132,500. As at 20 July 2017, upon the consideration and approval at the eighth meeting of the eighth session of the Board in 2017 and the implementation of the annual dividend distribution plan of the Company for 2016, the adjusted option exercise price for the First and Second Tranche of Share Options is RMB10.49 per share option and RMB16.02 per share option, respectively. For relevant information about the participants, the number of options and the price of options, please refer to the announcements published by the Company in 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 13 May 2015, 10 October 2015 and 21 July 2017.

During the Reporting Period, 3,821,050 share options were exercised during the second exercisable period for the First Tranche of Share Options, and 491,100 share options were exercised during the second exercisable period for the Second Tranche of Share Options. The total share options exercised during the Reporting Period amounted to 4,312,150, representing 7.37% of the total of share option incentive scheme (adjusted).

Market Risks

For details of the Group's market risks, please refer to "5.3.4 Main Risk Factors for Future Development of the Group" of "5.3 Business Prospects of the Group in 2017" in the Announcement.

Dividend Distribution

Based on the Group's 2017 operating results and taking into account the Group's overall financial position and cash flows situation, 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 proposed distribution plan of the final dividend of 2017 is subject to the shareholders' approval at the forthcoming annual general meeting of the Company for the year of 2017.

7 SIGNIFICANT EVENTS AND SUBSEQUENT SIGNIFICANT EVENTS

- 7.1** During the Reporting Period, the Company engaged PricewaterhouseCoopers as its auditor and internal control auditor. The total remuneration in respect of the audit and internal control audit work during the Reporting Period was RMB13,460,000, mainly including the provision of auditing and internal control services for the Company's needs.
- 7.2** On 9 March 2018, the Company published an announcement regarding its decision to terminate the Non-public Issuance of A Shares initiated in April 2016, and its application to the CSRC for the withdrawal of the application documents for the Non-public Issuance of A Shares. As of the date of this announcement, the application for the termination has been approved by the CSRC. For more information in relation to the Non-public Issuance of A Shares, 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 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.
- 7.3** On 7 April 2017, China Merchants Port Holdings Company Limited, transferred all shares of its wholly-owned subsidiary Soares Limited (indirectly holds shares of the Company through wholly-owned subsidiary China Merchants (CIMC) Investment Limited) to China Merchants Industry Holdings. Upon completion of the transaction on 9 June 2017, China Merchants Industry Holdings has become the wholly-owned shareholder of Soares Limited and also the largest shareholder of the Company by indirectly holding 730,557,217 H Shares of the Company (accounting for 24.51% of the total issued shares of the Company) through Soares Limited and China Merchants (CIMC) Investment. As the number and percentage of shares of the Company indirectly held by China Merchants Group remained unchanged before and after the transfer of shares of Soares Limited, China Merchants Group continued to be the largest shareholder of the Company indirectly. 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 8 April 2017 and 9 June 2017.

- 7.4** On 5 July 2017, Enric Shenzhen, SOE and SOE Bankruptcy and Liquidation Team entered into relevant agreement to propose 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 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 6 July 2017, 4 August 2017 and 16 August 2017.
- 7.5** On 17 July 2017, CIMC Skyspace and Country Garden entered into an agreement, pursuant to which Country Garden injected RMB926,322,300 for the capital increase of CIMC Skyspace, and held as to 25% equity interest in CIMC Skyspace after completion of the capital increase, while the Company held 61.5% equity interest in CIMC Skyspace through CIMC Shenfa Development Co., Ltd.* (中集申發建設實業有限公司). 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 17 July 2017.
- 7.6** 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 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 3 August 2017 and 26 September 2017.
- 7.7** On 28 August 2017, as considered at the eleventh meeting in 2017 of the eighth session of the Board and the sixth meeting in 2017 of the eighth session of the supervisory committee, respectively, it was approved that the Company change its accounting policies in accordance with 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) issued by the Ministry of Finance, and such changes were effected from 12 June 2017 and 28 May 2017, respectively, pursuant to relevant requirements. 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 28 August 2017.

- 7.8** On 13 September 2017, a wholly-owned subsidiary of the Company, Shenzhen CIMC Investment Co., Ltd* (深圳市中集投資有限公司) (“**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 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 13 September 2017 and 30 October 2017.
- 7.9** On 13 September 2017, the Company and S.F. Express Co., Ltd. entered into the Strategic Cooperation Framework Agreement, pursuant to which both parties intend to seek further cooperation in sectors of intermodal transportation, express delivery, “Belt and Road” and China-Europe Railway Express, railway, equipment, technologies, and business. 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 13 September 2017.
- 7.10** 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 the Group’s land parcels T102-0152, T102-0153 and T102-0154 located at Qianhai, Shenzhen. 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 9 October 2017.
- 7.11** On 18 October 2017, Enric Shenzhen, a subsidiary of the Company and Shenzhen Sky Capital Co., Ltd. (“**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 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 18 October 2017.

- 7.12** On 4 December 2017, Sharp Vision Holdings Limited (“**Sharp Vision**”, a wholly-owned subsidiary of the Company, CFE, Wang Sing Technology Limited (“**Wang Sing**”, a wholly-owned subsidiary of CFE) and Fengqiang Holdings Limited (“**Fengqiang**”) entered into the Pteris Sale and Purchase Agreement, pursuant to which Wang Sing shall acquire a total of 99.41% equity interest in Pteris from Sharp Vision and Fengqiang. CFE shall issue Consideration Shares and Convertible Bonds of corresponding values 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 on 9 February 2018, but subject to approval at the CFE general meeting. 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.
- 7.13** Upon consideration at the fifth meeting of the eighth session of the Board on 12 March 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 on 12 March 2018. 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 website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.cimc.com) on 12 March 2018.
- 7.14** On 12 March 2018, a non-wholly owned subsidiary of the Company, CIMC Transportation Equipment (International) Holdings Limited (“**CIMC Transportation**”), Shouzhong (Hong Kong) Limited (“**Shouzhong (Hong Kong)**”) and Shougang Concord International Enterprises Company Limited (“**Shougang Concord International**”) entered into an agreement, pursuant to which Shouzhong (Hong Kong) shall acquire 44.94382% equity interest in Shougang Investment from CIMC Transportation. Shougang Concord International shall issue Consideration Shares to CIMC Transportation or its designated persons to settle the consideration. Upon the completion of the transaction, the Group will indirectly hold 5.526% of the issued shares of Shougang Concord International. 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 website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.cimc.com) on 12 March 2018.

8 FINANCIAL REPORT

8.1 Explanation for Changes in Accounting Policies, Accounting Estimates or Calculation Method as Compared with those for the Last Annual Report

✓Yes □ No

In 2017, the Ministry of Finance issued the “Accounting Standards for Business Enterprises No. 42-Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation”, the revised “Accounting Standards for Business Enterprises No. 16 – Government Grants” and the “Notice on the Revision of the Format for Issuing General Enterprise Financial Statements” (Cai Kuai [2017] No. 30). The Group has adopted the aforesaid standards and notices in preparing the financial statements for the 2017 Annual Report. The impacts of the change in accounting policy on the financial statements of the Group are listed as below:

Description and reasons for change in accounting policy	Impacted items on financial statement	Impacted amount
The Group reversed VAT from 2017 to other income. The comparative figures for 2016 are not restated.	N/A	N/A
Government grants relating to income and the ordinary activities of the Group for 2017 are included in other income or adjusted for relevant cost expenses by the Group or the Company. Government grants relating to assets are included in deferred income and included in other income over the useful life of the relevant assets by instalments on a reasonable and systematic basis. The comparative figures for 2016 are not restated.	N/A	N/A
		2016
The Group includes gains and losses arising from the disposal of fixed assets and intangible assets in 2017 in gain on disposal of assets. The comparative figures for 2016 are adjusted correspondingly.	Gain on disposal of assets Non-operating income Non-operating expenses	402,346 (451,565) 49,219
The Company includes gains and losses arising from the disposal of fixed assets and intangible assets in 2017 in gain on disposal of assets. The comparative figures for 2016 are adjusted correspondingly.	Gain on disposal of assets Non-operating income Non-operating expenses	116 (116) –

8.2 Contents, Amounts Corrected, Reasons and Impact of Material Accounting Errors

☐ Yes ☒ No

8.3 Explanation of Changes in the Scope of Consolidation as Compared with those for the Last Annual Report

The changes in the scope of consolidation for the current year are mainly due to subsidiaries that were acquired, newly established or disposed of. The subsidiaries newly included in the scope of consolidation for the current year are Zhengzhou Jinte Logistics Automation System Co., Ltd., Qindao Leader Chemical Co., Ltd., 青島力達新橡塑製品有限公司 and SOE. The subsidiaries no longer included in the scope of consolidation for the current year are Shenzhen CIMC Electricity Commerce and Logistics Technology Co., Ltd and Highfield Development Corp.

8.4 Statement of the Board and the Supervisory Committee on the “Non-Standard Auditing Report” issued by the Auditor

☐ Yes ☒ No

8.5 Financial Statements Prepared in Accordance with CASBE

8.5.1 Consolidated Balance Sheet (audited)

Unit: RMB thousand

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

8.5.1 Consolidated Balance Sheet (audited) (Continued)

Unit: RMB thousand

	Note	31 December 2017	31 December 2016
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings		15,317,347	15,729,787
Financial liabilities at fair value through profit or loss		3,025	141,806
Notes payable		1,785,456	1,551,582
Accounts payable	5	12,216,311	10,160,951
Advances from customers		4,624,088	3,780,694
Employee benefits payable		2,713,482	2,115,108
Taxes payable		1,363,986	1,092,030
Interest payable		377,793	303,375
Dividends payable		254,434	16,746
Other payables		6,854,541	5,154,073
Liabilities directly associated with the assets held for sale		14,906	-
Provisions		1,214,904	847,429
Current portion of non-current liabilities		4,085,579	3,667,872
Other current liabilities		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		37,807	61,235
Long-term borrowings		24,140,168	27,023,222
Debentures payable		7,986,500	7,986,500
Including: perpetual bonds		1,986,500	1,986,500
Long-term payables		347,269	529,372
Payables for specific projects		14,127	9,704
Deferred income		846,232	839,738
Deferred tax liabilities		801,337	657,414
Other non-current liabilities		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		2,982,889	2,978,577
Other equity instruments		2,033,043	2,049,035
Including: perpetual bonds		2,033,043	2,049,035
Capital surplus		4,209,663	3,126,585
Other comprehensive income		219,303	357,341
Surplus reserve		3,281,535	3,279,379
Undistributed profits	6	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

8.5.2 Balance Sheet of the Company (audited)

Unit: RMB thousand

	31 December 2017	31 December 2016
Assets		
Current assets:		
Cash at bank and on hand	1,366,876	2,660,222
Dividends receivable	4,918,369	4,755,818
Other receivables	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	388,905	388,905
Long-term equity investments	9,583,886	9,375,276
Fixed assets	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	73,140	52,280
Total non-current assets	10,290,339	9,974,873
Total assets	29,778,497	30,531,601

8.5.2 Balance Sheet of the Company (audited) (Continued)

Unit: RMB thousand

	31 December 2017	31 December 2016
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	350,000	2,710,000
Financial liabilities at fair value through profit or loss	614	65
Employee benefits payable	291,949	205,760
Taxes payable	3,094	3,646
Interest payable	89,295	75,755
Other payables	4,650,581	2,990,804
Provisions	102,524	79,104
Current portion of non-current liabilities	1,095,000	800,000
Total current liabilities	6,583,057	6,865,134
Non-current liabilities:		
Financial liabilities at fair value through profit or loss	–	3,296
Long-term borrowings	1,322,000	1,621,000
Debentures payable	7,986,500	7,986,500
Including: perpetual bonds	1,986,500	1,986,500
Deferred income	25,171	37,429
Total non-current liabilities	9,333,671	9,648,225
Total liabilities	15,916,728	16,513,359
Shareholders' equity:		
Share capital	2,982,889	2,978,577
Other equity instruments	2,033,043	2,049,035
Including: perpetual bonds	2,033,043	2,049,035
Capital surplus	3,330,895	3,287,149
Other comprehensive income	43,754	43,754
Surplus reserve	3,281,535	3,279,379
Undistributed profits	2,189,653	2,380,348
Total equity of shareholders and other equity holders	13,861,769	14,018,242
Total liabilities and shareholders' equity	29,778,497	30,531,601

8.5.3 Consolidated Income Statement (audited)

Unit: RMB thousand

Item	Note	2017	2016
I. Revenue	7	76,299,930	51,111,652
Less: Cost of sales	7	62,292,715	41,482,017
Taxes and surcharges		516,723	503,099
Selling and distribution expenses		2,926,718	2,156,980
General and administrative expenses		5,482,054	4,208,598
Financial expenses – net		1,446,321	719,109
Asset impairment losses	8	671,341	2,089,634
Add: Profit from changes in fair value		111,316	613,913
Investment income		510,351	234,410
Including: Share of profit of associates and joint ventures		30,675	87,266
Gain on disposal of assets		113,334	402,346
Other income		472,626	–
II. Operating profit		4,171,685	1,202,884
Add: Non-operating income		622,421	761,241
Less: Non-operating expenses		384,865	262,074
III. Total profit		4,409,241	1,702,051
Less: Income tax expenses	9	1,250,826	967,068
IV. Net profit		3,158,415	734,983
Classified by continued operations			
Net profit from continued operations		3,158,415	734,983
Net profit from discontinued operations		–	–
Classified by attribution of ownership			
Net profit attributable to shareholders and other equity holders of the company		2,509,242	539,660
Profit or loss attributable to minority interests		649,173	195,323
V. Other comprehensive income, net of tax		(195,798)	967,346
Attributable to Shareholders and other equity holders of the Company		(138,038)	871,818
Items that may be reclassified subsequently to profit or loss		(138,038)	871,818
Changes in fair value of available-for-sale financial assets		568	(104)
Gain of cash flow hedges		3,654	4,154
Gain/(loss) from the difference between fair value and book value by converting self-use property to investment properties measured with fair value		5,011	477,398
Share of other comprehensive income in the investees to be reclassified to profit or loss in subsequent periods under the equity method		16,448	–
Sale of investment properties transferred out from other comprehensive income		(39,086)	–
Currency translation differences		(124,633)	390,370
Attributable to minority interests		(57,760)	95,528

Item	Note	2017	2016
VI. Total comprehensive income		2,962,617	1,702,329
Attributable to shareholders and other equity holders of the Company		2,371,204	1,411,478
Minority interests		591,413	290,851
VII. Earnings per share			
(I) Basic earnings per share (RMB)	10(1)	0.81	0.14
(II) Diluted earnings per share (RMB)	10(2)	0.81	0.14

8.5.4 Income Statement of the Company (audited)

Unit: RMB thousand

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

8.5.5 Consolidated Cash Flow Statement (audited)

Unit: RMB thousand

Item	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	1,691,926	475,604
Sub-total of cash inflows from operating activities	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	5,817,688	4,570,485
Sub-total of cash outflows from operating activities	76,204,554	49,790,764
Net cash flows from operating activities	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 assets, intangible assets and other long-term assets	986,733	904,597
Net cash received from disposal of subsidiaries	475,629	206,421
Cash received relating to other investing activities	189,452	446,920
Sub-total of cash inflows from investing activities	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	564,145	738,362
Sub-total of cash outflows from investing activities	13,019,586	8,864,814
Net cash flows from investing activities	(1,580,105)	(6,854,655)

8.5.5 Consolidated Cash Flow Statement (audited) (Continued)

Unit: RMB thousand

Item	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 issue of bonds	–	7,986,500
Cash received relating to other financing activities	16,474	3,755
Sub-total of cash inflows from financing activities	62,750,173	64,307,817
Cash repayments of borrowings	62,807,109	52,820,203
Cash payments for interest expenses and distribution of dividends or profits	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	613,427	748,489
Sub-total of cash outflows from financing activities	66,287,326	56,796,771
Net cash flows 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	(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	5,442,857	6,338,667

8.5.6 Cash Flow Statement of the Company (audited)

Unit: RMB thousand

Item	2017	2016
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	274,870	156,526
Cash received relating to other operating activities	2,036,017	257,702
Sub-total of cash inflows from operating activities	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 from operating activities	781,910	5,209,034
Net cash flows from operating activities	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 from investing activities	10,011,216	257,441
Cash paid to acquire fixed 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 relating to other investing activities	58,000	–
Sub-total of cash outflows from investing activities	9,750,101	119,182
Net cash flows from investing activities	261,115	138,259

8.5.6 Cash Flow Statement of the Company (audited) (Continued)

Unit: RMB thousand

Item	2017	2016
III. Cash flows from financing activities:		
Cash received from capital contributions	31,193	8,331
Cash received from borrowings	9,970,000	8,176,000
Cash received from issue of bonds	—	7,986,500
Sub-total of cash inflows from financing activities	10,001,193	16,170,831
Cash repayments of borrowings	12,334,000	9,319,881
Cash payments for interest expenses and distribution of dividends or profits	806,492	1,126,037
Cash paid relating to other financing activities	30,960	6,189
Sub-total of cash outflows from financing activities	13,171,452	10,452,107
Net cash flows 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	(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	335,730	1,715,470

8.5.7 Consolidated Statement of Changes in Shareholders' Equity (audited)

Unit: RMB thousand

Item	2017										2016									
	Equity attributable to shareholders and other equity holders of the Company					Equity attributable to shareholders and other equity holders of the Company														
	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity				
I. Balance at 31 December 2016	2,978,577	2,049,035	3,126,585	357,341	3,279,379	17,495,053	9,848,822	39,134,792	2,977,820	2,033,043	3,181,863	(514,477)	3,203,578	17,805,808	7,033,280	35,720,915				
II. Movements for the year																				
(I) Total comprehensive income																				
1. Net profit	-	87,808	-	-	-	2,421,434	649,173	3,158,415	-	119,792	-	-	-	419,868	195,323	734,983				
2. Other comprehensive income	-	-	-	(138,038)	-	-	(57,760)	(195,798)	-	-	-	871,818	-	-	95,528	967,346				
Sub-total of I&2	-	87,808	-	(138,038)	-	2,421,434	591,413	2,962,617	-	119,792	-	871,818	-	419,868	290,851	1,702,329				
(II) Capital contributions and withdrawal by owners																				
1. Increase in capital resulting from the exercise of share options by the Company	4,312	-	43,746	-	-	-	-	48,058	757	-	7,574	-	-	-	-	8,331				
2. Contributions by minority shareholders	-	-	1,001,904	-	-	-	985,173	1,987,077	-	-	227,441	-	-	-	3,330,875	3,558,316				
3. Increase in minority interests resulting from acquisition or establishment of subsidiaries	-	-	-	-	-	-	91,931	91,931	-	-	-	-	-	-	29,565	29,565				
4. Decrease in capital surplus resulting from acquisition of minority interests of subsidiaries	-	-	(280,185)	-	-	-	(212,453)	(492,638)	-	-	(22,239)	-	-	-	(726,250)	(748,489)				
5. Disposal of subsidiaries (without loss of control)	-	-	4,869	-	-	-	7,131	12,000	-	-	903	-	-	-	8,097	9,000				
6. Disposal of subsidiaries (loss of control)	-	-	-	-	-	-	75,746	75,746	-	-	-	-	-	-	(7,762)	(7,762)				
7. Increase in capital resulting from the exercise of share options by subsidiaries	-	-	(799)	-	-	-	17,273	16,474	-	-	1,692	-	-	-	2,063	3,755				
8. Increase in shareholders' equity resulting from share-based payments	-	-	10,789	-	-	-	5,535	16,324	-	-	22,316	-	-	-	10,068	32,384				
9. Reversal/Recognition of the buyback options granted to minority shareholders	-	-	300,000	-	-	-	-	300,000	-	-	(300,000)	-	-	-	-	(300,000)				
10. Others	-	-	2,754	-	-	-	-	2,754	-	-	7,035	-	-	-	-	7,035				
(II) Profit distribution																				
1. Appropriation to surplus reserve	-	-	-	-	2,156	(2,156)	-	-	-	-	-	-	75,801	(75,801)	-	-				
2. Profit distribution to shareholders	-	-	-	-	(179,837)	(179,837)	(634,064)	(813,901)	-	-	-	-	-	(654,822)	(121,965)	(776,787)				
3. Interest paid on other equity instruments	-	(103,800)	-	-	-	-	-	(103,800)	-	(103,800)	-	-	-	-	-	(103,800)				
III. Balance at 31 December 2017	2,982,889	2,033,043	4,209,663	219,303	3,281,535	19,734,494	10,776,507	43,237,434	2,978,577	2,049,035	3,126,585	357,341	3,279,379	17,495,053	9,848,822	39,134,792				

8.5.8 Statement of Changes in Shareholders' Equity of the Company (audited)

Unit: RMB thousand

Item	2017							2016						
	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at 31 December 2016	2,978,577	2,049,035	3,287,149	43,754	3,279,379	2,380,348	14,018,242	2,977,820	2,033,043	3,279,575	43,754	3,203,578	1,403,140	12,940,910
II. Movements for the year														
(I) Total comprehensive income														
1. Net profit	-	87,808	-	-	-	(8,702)	79,106	-	119,792	-	-	-	1,707,831	1,827,623
2. Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total of 1&2	-	87,808	-	-	-	(8,702)	79,106	-	119,792	-	-	-	1,707,831	1,827,623
(II) Capital contributions and withdrawal by owners														
1. Increase in shareholders' equity resulting from share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Increase in capital resulting from the exercise of share options by the Company	4,312	-	43,746	-	-	-	48,058	757	-	7,574	-	-	-	8,331
(III) Profit distribution														
1. Appropriation to surplus reserve	-	-	-	-	2,156	(2,156)	-	-	-	-	-	75,801	(75,801)	-
2. Profit distribution to shareholders	-	-	-	-	-	(179,837)	(179,837)	-	-	-	-	-	(654,822)	(654,822)
3. Interests paid on other equity instruments	-	(103,800)	-	-	-	-	(103,800)	-	(103,800)	-	-	-	-	(103,800)
III. Balance at 31 December 2017	2,982,889	2,033,043	3,330,895	43,754	3,281,535	2,189,653	13,861,769	2,978,577	2,049,035	3,287,149	43,754	3,279,379	2,380,348	14,018,242

Notes:

1. BASIS OF PREPARATION

The financial statements were prepared in accordance with the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the specific accounting standards and the relevant regulations issued thereafter (hereafter collectively referred to as the “**Accounting Standards for Business Enterprises**”) 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 issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

Since the new Hong Kong Companies Ordinance took effect in 2015, certain disclosures in these financial statements have been adjusted in accordance with the requirements of Hong Kong Companies Ordinance.

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

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 of 31 December 2017 and of their financial performance, cash flows and other information for the year then ended.

3. 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 with the net profit of the subsidiary realised before the combination being presented separately, 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, in the preparation of the consolidated financial statements, 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 capital premium in the capital reserve (capital surplus) in the consolidated balance sheet. If the capital premium in the capital reserve (capital surplus) 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.

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 losses for the period as well as comprehensive income not attributable to the Company are recognised as minority interests, net profit and losses 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 losses 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 losses 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 losses arising from sales of assets 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 such subsidiary.

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.

4. ACCOUNTS RECEIVABLE

(1) Accounts receivable analysed by customer categories is as follows:

Unit: RMB thousand

	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 equipment	1,334,724	1,255,195
Logistics services	1,287,373	1,159,172
Heavy trucks	772,761	769,250
Others	686,426	569,937
Subtotal	17,153,903	12,155,311
Less: Provision for bad debts	(757,177)	(629,236)
Total	16,396,726	11,526,075

(2) The ageing of accounts receivable is analysed as follows:

Unit: RMB thousand

	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
Subtotal	17,153,903	12,155,311
Less: Provision for bad debts	(757,177)	(629,236)
Total	16,396,726	11,526,075

5. ACCOUNTS PAYABLE

(1) The accounts payable is as follows:

Unit: RMB thousand

	31 December 2017	31 December 2016
Due to raw materials suppliers	10,124,956	8,303,845
Due to integrated logistics service providers	559,737	461,925
Due to engineering contractors	341,552	259,029
Due to engineering suppliers	387,357	658,048
Due to equipment suppliers	579,407	150,029
Transportation fees	81,816	135,159
Processing fees	43,661	129,178
Others	97,825	63,738
Total	<u>12,216,311</u>	<u>10,160,951</u>

(2) The ageing of accounts payable is analysed as follows:

Unit: RMB thousand

	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	<u>12,216,311</u>	<u>10,160,951</u>

As at 31 December 2017, accounts payable over 1 year with a carrying amount of RMB678,252,000 (31 December 2016: RMB625,601,000) are mainly payables related to offshore engineering business and energy and chemical business. Since the construction period of the offshore engineering project and the production cycle of the energy and chemical project is usually more than one year, the payables have not yet been settled.

6. UNDISTRIBUTED PROFITS

Unit: RMB thousand

	Note	2017	2016
Undistributed profits at the beginning of the year		17,495,053	17,805,808
Add: Net profit attributable to shareholders and other equity holders of the Company for the current year		2,509,242	539,660
Less: Effect of issue of perpetual bonds by the Company		(87,808)	(119,792)
Less: Appropriation to surplus reserve		(2,156)	(75,801)
Less: Ordinary share dividends payable	(1)	(179,837)	(654,822)
Undistributed profits at the end of the year		<u>19,734,494</u>	<u>17,495,053</u>

(1) Dividends of ordinary shares declared during the year

Unit: RMB thousand

	2017	2016
Dividends proposed but not declared at the end of the year	<u>—</u>	<u>—</u>
Total proposed dividends in the year	<u>179,837</u>	<u>654,822</u>

In accordance with the approval at the shareholders' general meeting held on 9 June 2017, the Company paid a cash dividend in the amount of RMB0.06 per share (2016: RMB0.22 per share) to the ordinary shareholders on 20 July 2017, amounting to RMB179,837,000 (2016: RMB654,822,000).

7. REVENUE AND COST OF SALES

Unit: RMB thousand

	2017	2016
Revenue from principal operations	74,527,712	49,960,016
Revenue from other operations	<u>1,772,218</u>	<u>1,151,636</u>
Total	<u>76,299,930</u>	<u>51,111,652</u>
Cost of sales from principal operations	61,592,397	41,019,009
Cost of sales from other operations	<u>700,318</u>	<u>463,008</u>
Total	<u>62,292,715</u>	<u>41,482,017</u>

8. ASSET IMPAIRMENT LOSSES

Unit: RMB thousand

	2017	2016
Loss from diminution in value of inventories	173,932	100,725
Loss from doubtful debts of accounts receivable	140,192	174,954
Loss from doubtful debts of other receivables	118,582	1,403,702
Loss from doubtful debts of long-term receivables (including current portion of non-current assets)	123,659	271,429
Loss from doubtful debts of advances	56,724	46,716
Loss from impairment of goodwill	38,000	77,557
Loss from impairment of fixed assets	20,252	8,310
Loss from impairment of intangible assets	—	5,936
Loss from impairment of construction in progress	<u>—</u>	<u>305</u>
Total	<u>671,341</u>	<u>2,089,634</u>

9. INCOME TAX EXPENSES

Unit: RMB thousand

	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	<u>1,250,826</u>	<u>967,068</u>

The income tax based on the applicable profit rate is adjusted to income tax expense based on the total profit of the consolidated income statement

Unit: RMB thousand

	2017	2016
Profit before tax	4,409,241	1,702,051
Income tax 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
Income not subject to tax	(37,101)	(1,958)
Tax effect of utilisation of previously unrecognised tax losses on deferred tax assets	(128,878)	(41,584)
Unrecognised tax losses	464,203	362,965
Deductible temporary differences for which no deferred tax asset was recognised in previous years	75,039	340,729
Tax effect of utilisation of deductible temporary differences of previously unrecognised deferred tax assets	(27,358)	(38,008)
Effect of tax rate change on deferred tax	(32,540)	–
Tax refund for income tax annual filing	(24,333)	(5,302)
Income tax reversed for profit of foreign holding companies in the current year	–	106
Income tax expense	<u>1,250,826</u>	<u>967,068</u>

The income tax rates applicable to the Company and major subsidiaries 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 the 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 the Cayman Islands	—	—
Subsidiary registered in Malaysia	24%	24%
Subsidiary registered in Luxembourg	27.08%	27.08%

10. 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 of the Company:

	2017	2016
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company	2,509,242	539,660
Effect of issue of perpetual bonds by the Company	(87,808)	(119,792)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	2,421,434	419,868
Weighted average number of ordinary shares outstanding ('000)	2,980,056	2,978,296
Basic earnings per share (RMB per 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 adjusted consolidated net profit attributable to ordinary shareholders of the Company by the adjusted weighted average number of ordinary shares outstanding of the Company:

	<i>Note</i>	2017	2016
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company		2,509,242	539,660
Effect of issue of perpetual bonds by the Company		(87,808)	(119,792)
Effect of the share option program		(1,371)	—
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)		2,420,063	419,868
Weighted average number of ordinary shares outstanding of the Company (diluted) ('000) (adjusted)	(a)	2,988,147	2,984,119
Diluted earnings per share (RMB per share)		0.81	0.14

(a) Calculation of weighted average number of ordinary shares (diluted):

	2017	2016
Weighted average number of ordinary shares outstanding ('000)	2,980,056	2,978,296
Effect of share options of the Company ('000)	8,091	5,823
Weighted average number of ordinary shares outstanding (diluted) ('000)	2,988,147	2,984,119

The Board of the Company was authorised to grant 60,000,000 share options (accounting for 2.01% of the 2,980,555,749 shares of the weighted average number of ordinary shares outstanding of the Company during the year) to the senior management and other staff.

11. SEGMENT REPORTING

In order to assess the segment performance and resources allocation, the Group's management reviews assets, liabilities, revenue, expenses and operating results of each segment regularly. The preparation basis of such information is detailed as follows:

Segment assets include current assets such as tangible assets, intangible assets, other long-term assets and receivables, but exclude deferred income tax assets and other unallocated headquarters assets. Segment liabilities include payables, bank borrowings, provisions, special payables and other liabilities of each segment, while deferred income tax liabilities are excluded.

Segment operating results represents segment revenue (including external operating income and inter-segment operating income), offsetting segment expenses, depreciation and amortisation and impairment losses attributable to assets of individual segment, net interest expenditure generated from bank deposits and bank borrowings attributable to individual segment. Transactions conducted among segments are under similar non-related party transaction commercial terms.

The following segment information of the Group disclosed are used by the Group's management for the measurement of profit (loss), assets and liabilities of the reported segments, or not used by but provided to the Group's management on a regular basis.

Segment information as at and for the year ended 31 December 2017 is as follows:

Unit: RMB thousand

Item	Road				Energy, chemistry and liquid food		Offshore engineering		Airport facilities equipment		Logistics services		Finance		Property development		Heavy trucks		Others		Elimination between segments		Total	
	Containers	transportation vehicles	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
External revenue	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 revenue	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 principal 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/(losses) in associates and joint ventures	(35)	(2,288)			(245)		-		(20,311)		9,829		15,137		7,206		16,999		4,383		-		30,675	
Assets impairment losses	72,745	67,903			203,540		5,791		6,184		101,661		137,986		227		51,284		14,987		9,033		671,341	
Depreciation and amortisation expenses	411,797	281,480			365,621		380,121		118,893		133,386		185,698		12,428		138,231		315,691		-		2,343,346	
Interest income	151,663	73,596			30,516		73,997		3,434		15,436		237,002		33,026		3,198		1,397,614		(1,792,221)		227,261	
Interest expenses	79,327	112,037			73,076		563,434		15,456		29,516		167,504		14,808		77,934		1,432,152		(1,416,618)		1,148,626	
Total profit/(losses)	1,887,439	1,267,192			635,258		(1,025,964)		180,226		120,973		1,211,520		241,520		(156,043)		(439,765)		486,885		4,409,241	
Income tax expenses	424,337	249,006			161,757		13,391		33,842		34,549		219,327		49,157		(29,017)		143,996		(49,519)		1,250,826	
Net profit/(losses)	1,463,102	1,018,186			473,501		(1,039,355)		146,384		86,424		992,193		192,363		(127,026)		(583,761)		536,404		3,158,415	
Total assets	21,099,309	16,093,412			14,718,417		32,556,965		4,260,043		4,723,994		37,149,558		4,612,197		4,129,455		34,494,325		(43,233,296)		130,604,379	
Total liabilities	11,927,403	9,025,093			9,846,112		30,716,009		2,608,742		2,600,331		29,418,426		1,989,036		3,822,070		39,504,856		(54,091,133)		87,366,945	

Other material non-cash items:

- Other non-cash expenses/(income) other than depreciation and amortisation	390,181	136,365			222,803		(114,709)		19,639		113,445		137,159		(3,436)		51,951		(7,661)		(7,422)		938,315	
- Long-term equity investments of associates and joint ventures	31,908	127,182			10,103		31,372		552,725		498,185		486,732		140,207		213,154		306,927		-		2,398,495	
- Amount of additions to non-current assets other than long-term equity investment, financial assets and deferred tax assets	1,333,945	453,685			1,165,021		160,955		101,328		264,240		539,648		146,959		110,396		366,641		630,820		5,273,638	

Segment information as at and for the year ended 31 December 2016 is as follows:

Unit: RMB thousand

Item	Containers 2016	Road transportation vehicles 2016	Energy, chemistry and liquid food equipment 2016	Offshore engineering 2016	Airport facilities equipment 2016	Logistics services 2016	Finance 2016	Property development 2016	Heavy trucks 2016	Others 2016	Elimination between segments 2016	Total 2016
External revenue	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 revenue	545,051	232,051	260,742	3,845,883	-	47,962	-	(172,016)	83,946	779,355	(5,622,974)	-
Cost of sales from principal 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/(losses) in associates and joint ventures	(998)	(3,107)	(2,070)	-	14,585	61,632	17,403	4,703	1,946	(6,828)	-	87,266
Assets 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/(losses)	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/(losses)	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 material non-cash items:

- Other non-cash expenses/(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 investments of associates and joint ventures	30,129	105,392	10,387	33,288	485,275	509,225	396,362	104,192	196,155	291,814	-	2,162,219
- Amount of additions to non-current assets other than long-term equity investment, 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

12. CONTINGENCIES

(1) Contingent liabilities

CIMC Raffles, a subsidiary of the Group, entered into drilling platform construction contracts with relevant purchasers. The purchasers considered that CIMC Raffles was not able to deliver payment as required in the contracts and have issued a notice to CIMC Raffles to terminate the contracts and demanded compensation in the amount of USD37,400,000 (equivalent to RMB244,379,000). As of 31 December 2016, CIMC Raffles reclassified the advance payments for construction of USD18,700,000 (equivalent to RMB122,189,000) to other payables. As of the date of the audit report, the final result of the litigation has not been reached. The management expects that there is no material risks to pay the compensation, therefore no provision of liabilities has been accrued.

Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd. (YZTH) (a subsidiary of the Group) provided guarantee to the mortgage loans by which some of its clients bought its mixer trucks, but some of the loans repayments have been overdue severely, the management expected there is possibility for YZTH to repay the loans for the clients, therefore they decided to accrue a provision amounting to RMB3,096,000 (31 December 2016: RMB19,778,000) based on the amount of loans repaid and expected to be repaid by YZTH.

(2) Guarantees provided for external parties

CIMC Raffles, a subsidiary of the Group, provided guarantees to its customers by way of vessel leasing. As at 31 December 2017, amounts of the guarantees were approximately 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, pursuant to which relevant banks provided guarantees in respect of banking facilities granted to the distributors and customers of CIMC Vehicle Group and its holding 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 holding subsidiaries provided guarantees to the distributors and customers was approximately RMB808,421,000 (31 December 2016: RMB1,031,416,000).

Shenyang Vehicle Garden and Shaanxi Vehicle Garden, subsidiaries of the Group, signed property loans guarantee contract and cooperated in mortgage facility with China Construction bank and Qindu Rural Commercial bank respectively to provide periodical guarantee to the property loans the relevant bank has granted to the customers of the two companies. As at 31 December 2017, customers' property loans guaranteed by ShenYang Vehicle Garden and Shannxi Vehicle Garden was approximately RMB11,850,000 (31 December 2016: Nil).

A subsidiary of the Group, CIMC Skyspace Real Estate and its holding subsidiaries, and external banks 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).

(3) Notes payable issued but not accounted for, outstanding letters of credit issued but undue and outstanding performance guarantees

The Group does not recognise notes payable or letters 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 notes payable issued but not accounted for and outstanding letters of credit of RMB4,180,000 and RMB274,253,000, respectively, totalling RMB278,433,000 (31 December 2016: RMB1,143,013,000).

As at 31 December 2017, balance of outstanding guarantees issued by the Company for the subsidiaries of the Group was RMB779,996,000 and USD30,000,000 (equivalent to RMB196,026,000), amounting to RMB976,022,000 (total balance as at 31 December 2016: RMB1,053,740,000).

As at 31 December 2017, a subsidiary of the Group had outstanding balance of guarantees issued by relevant banks amounting to RMB90,121,000, of which balance of performance guarantees, payment guarantees, quality guarantees, customs guarantees, advance payment guarantees, bid guarantees, refund guarantees, general customs tariffs guarantees was RMB59,349,000, RMB10,440,000, RMB6,950,000, RMB6,000,000, RMB4,073,000, RMB1,950,000, RMB1,299,000 and RMB60,000, respectively (31 December 2016: RMB55,889,000).

As at 31 December 2017, TAS, a subsidiary of the Group, had outstanding balance of guarantees issued by relevant banks amounting to RMB857,578,000, of which balance of performance guarantees, advance payment guarantees, other non-financial guarantees, tax guarantees, bid guarantees, retention money guarantees and quality guarantees was RMB409,001,000, RMB281,602,000, RMB68,991,000, RMB16,842,000, RMB41,679,000, RMB2,214,000 and RMB37,249,000, respectively (31 December 2016: RMB682,818,000).

As at 31 December 2017, the Group's subsidiary CIMC Enric and its subsidiaries had outstanding balance of guarantees issued by relevant banks amounting to RMB994,460,000, of which balance of project guarantees, performance and quality guarantees, advance payment guarantees, progress payment guarantees, tax guarantees and other guarantees was RMB382,927,000, RMB329,295,000, RMB154,849,000, RMB113,667,000, RMB5,923,000 and RMB7,799,000, respectively (total balance as at 31 December 2016: RMB779,018,000).

As at 31 December 2017, CIMC Raffles, a subsidiary of the Group, had outstanding balance of guarantees issued by relevant banks amounting to USD3,110,000 (equivalent to RMB20,321,000), of which the balance of performance guarantees and quality guarantees was USD310,000 (equivalent to RMB2,025,000) and USD2,800,000 (equivalent to RMB18,296,000), respectively (31 December 2016: RMB905,730,000).

As at 31 December 2017, balance of outstanding guarantees issued by CIMC Finance Company, a subsidiary of the Group, for our subsidiaries amounted to RMB7,559,000, of which balance of performance guarantees, quality guarantees, payment guarantees and owner payment guarantees was RMB476,000, RMB4,000,000, RMB2,000,000 and RMB1,083,000, respectively (31 December 2016: RMB28,396,000).

(4) Significant pending litigations

On 23 January 2018, Shanghai No. 2 Intermediate People's Court made the (2016) Hu 02 Min Chu No. 473 Civil Judgment, in which Shanghai Xinzhou Shipbuilding Materials Co., Ltd. ("Shanghai Xinzhou") claimed that the Company shall be jointly liable to repay the loans and interests accrued thereon of the amounts payable by the defendants of the case, Shanghai Nanlian Trading Co., Ltd and SOE. Although the Company has filed an appeal regarding the judgement, the management expects there is considerable risk to pay the compensation, and the Company has taken a prudent approach and accrued a provision of estimated liabilities valued RMB102,525,000 as at 31 December 2017.

13. COMMITMENTS

Capital commitments

Unit: RMB thousand

	2017	2016
Fixed assets purchase contracts entered into but not performed or performed partially	98,366	108,730
External investment contracts entered into but not performed or performed partially	10	129,423
Vessels manufactured for sales or lease	44,342	179,633
Total	142,718	417,786

14. NET CURRENT ASSETS

Unit: RMB thousand

	The Group	
	31 December 2017	31 December 2016
Current assets	59,001,923	53,352,031
Less: Current liabilities	51,421,759	46,249,215
Net current assets	7,580,164	7,102,816

	The Company	
	31 December 2017	31 December 2016
Current assets	19,488,158	20,556,728
Less: Current liabilities	6,583,057	6,865,134
Net current assets	12,905,101	13,691,594

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB thousand

	The Group	
	31 December 2017	31 December 2016
Total assets	130,604,379	124,614,748
Less: Current liabilities	51,421,759	46,249,215
Total assets less current liabilities	79,182,620	78,365,533

	The Company	
	31 December 2017	31 December 2016
Total assets	29,778,497	30,531,601
Less: Current liabilities	6,583,057	6,865,134
Total assets less current liabilities	23,195,440	23,666,467

16. EVENTS AFTER THE BALANCE SHEET DATE

Amendments to the accounting standards

The Ministry of Finance of the PRC amended five accounting standards in 2017, the Accounting Standards for Business Enterprises No. 14 – Income, the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and the Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument (collectively referred to as the “**New Standards**”). The above New Standards will be put into effect on 1 January 2018, and the Group will disclose the financial statements according to the New Standards starting with the first quarterly report of 2018.

9. REPURCHASE, SALE OR REDEMPTION OF SHARES

The Group or any of its subsidiaries did not sell any listed securities of the Company or any of its subsidiaries, nor did it repurchase or redeem any of the securities of the Company during the twelve months ended 31 December 2017.

10. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the provisions in relation to dealing in shares of the Company by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Hong Kong Listing Rules. 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.

11 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been committed to enhancing the Company's 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 the code provisions A.1.1, A.2.7, A.6.7 and E.1.2. Particulars of the deviations and the factors taken for consideration are set out below.

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 was held on-site. The executive Directors of the Company manage and monitor the business operation and propose to hold Board meetings to have discussions and make decisions on the Group's major business or management affairs from time to time. Accordingly, certain relevant decisions were made by all Directors by way of written resolutions. The Directors are of the opinion that, the fairness and validity of the decisions made for the business had adequate assurance. The Company will strive to put effective corporate governance practices into practice in future.

Corporate Governance Code A.2.7 requires that "The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present". The Company has only one executive director and the Company's daily business operation is managed and monitored by the executive director. The directors consider that during the Reporting Period there was no meeting in which the executive director needs to be avoided. Therefore, the Company has not held a board meeting without the executive director present during the year.

Corporate Governance Code A.6.7 requires that "independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders". During the Reporting Period, the Company held 5 general meetings. Due to other substantial affairs during the same period, Mr. Wang Hong was unable to attend the annual general meeting of 2016, the first 2017 class meeting of A/H Shares and the first extraordinary general meeting of 2017; Mr. Mai Boliang was unable to attend the first extraordinary general meeting of 2017; Mr. Liu Chong, Mr. Hu Xianfu and Mr. Pan Zhengqi were unable to attend the second extraordinary general meeting of 2017; Mr. Pan Chengwei and Mr. Wang Guixun were unable to attend the first extraordinary general meeting of 2017 and the second extraordinary general meeting of 2017; Mr. Wang Yuhang was unable to attend each of the general meetings.

Corporate Governance Code E.1.2 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, the Vice Chairman, and Wang Zhixian (resigned on 7 August 2017), the Chairman of the Risk Management Committee of the Board, failed to attend the aforesaid general meetings due to other important affairs.

12 AUDIT COMMITTEE

The Audit Committee has been formed by the Board of the Company pursuant to Appendix 14 of the Hong Kong Listing Rules, which comprises Mr. PAN Chengwei (Chairman), Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert. The Audit Committee of the Company has reviewed and affirmed the annual results of the Group for the year 2017.

By order of the Board
China International Marine Containers (Group) Co., Ltd.
WANG Hong
Chairman

Hong Kong, 27 March 2018

As at the date of this notice, the Board comprises Mr. WANG Hong (Chairman), Mr. WANG Yuhang (Vice-chairman), Mr. HU Xianfu and Mr. LIU Chong as non-executive Directors; Mr. MAI Boliang as an executive Director; and Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert as independent non-executive Directors.