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中國國際海運集裝箱（集團）股份有限公司

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(H Shares Stock Code: 2039)

(A Shares Stock Code: 000039)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 (SUMMARY OF THE 2018 INTERIM REPORT)

1 IMPORTANT NOTICE

- 1.1** The Board of Directors (the “**Board**”), the Supervisory Committee and the Directors, Supervisors and senior management of China International Marine Containers (Group) Co., Ltd. (the “**Company**” and its subsidiaries, the “**Group**”) warrant that there are no false records, misleading statements or material omissions in the 2018 interim results announcement (the “**Announcement**”), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the interim report of the Group for the six months ended 30 June 2018 (the “**2018 Interim Report**”). This announcement is extracted from the 2018 Interim Report and is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cimc.com>). The full version of the 2018 Interim Report will be posted on the above websites and will be dispatched to the shareholders of the Company in due course.
- 1.2** The Announcement has been reviewed and approved at the 14th meeting of the eighth session of the Board in 2018 (the “**Meeting**”). All directors have attended the Meeting to review and approve this Report by way of voting via correspondence. All Directors warrant, and there is no dissenting opinion as to, the truthfulness, accuracy and completeness of the Announcement.
- 1.3** The financial statements of the Group have been prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”). The 2018 interim financial statements and notes of the Group (the “**2018 Interim Financial Report**”) prepared in accordance with CASBE have not been audited. The reporting period (the “**Reporting Period**”) refers to the six months starting from 1 January 2018 and ended on 30 June 2018.
- 1.4** Neither any controlling shareholder (including its subsidiaries) nor substantial shareholder (including its subsidiaries) of the Company has utilised the non-operating funds of the Company.
- 1.5** Mr. WANG Hong, Chairman of the Board, Mr. MAI Boliang, President of the Company, and Mr. ZENG Han, General Manager of the Financial Management Department of the Company, warrant the truthfulness, accuracy and completeness of the Announcement and the 2018 Interim Financial Report.

- 1.6** The Board does not propose to declare the interim dividend for the period ended 30 June 2018 (same period in 2017: Nil).
- 1.7** In the Announcement, A share(s) refers to the domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Shenzhen Stock Exchange and traded in RMB, and H share(s) refers to the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars.
- 1.8** This Report contains certain forward-looking statements made on the basis of subjective assumptions and judgments on future policy and economic development in relation to the financial conditions, operating results and business of the Group, which are subject to a variety of risks, uncertainties and assumptions beyond the Group's control and with a high degree of uncertainty in nature. Therefore, the actual outcome may differ materially from such forward-looking statements. Such forward-looking statements are only the recent expectation of the Group on future events and are not guarantees for future business performance and do not constitute as an actual commitment to investors. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.
- 1.9** The Announcement has been prepared in both Chinese and English. 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

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

2.2 Contact Persons and Means of Communication

	YU Yuqun Secretary to the Board, Company Secretary	WANG Xinjiu Representative of Securities Affairs
Telephone:	(86 755) 2669 1130	(86 755) 2680 2706
Facsimile:	(86 755) 2682 6579	(86 755) 2681 3950
Email Address:	shareholder@cimc.com	
Contact Address in mainland China:	CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong, PRC (Postal code: 518067)	
Contact Address in Hong Kong:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	

3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Key Accounting Data

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.

Consolidated income statement items	The Reporting Period (January - June 2018) (unaudited)	The same period of the previous year (January - June 2017) (unaudited)	Changes (%)
Operating revenue	43,560,398	33,387,152	30.47%
Operating profit	1,828,383	1,537,942	18.89%
Total profit	1,829,811	1,576,142	16.09%
Income tax expense	513,854	509,633	0.83%
Net profit for the current period	1,315,957	1,066,509	23.39%
Attributable to:			
Net profit of shareholders and other equity holders of the parent company	965,397	796,898	21.14%
Minority profit or loss	350,560	269,611	30.02%
Net profit attributable to shareholders and other equity holders of the parent company after deducting non-recurring profit or loss	720,016	865,083	(16.77%)

Unit: RMB thousand

Consolidated balance sheet items	As at the end of the Reporting Period (30 June 2018) (unaudited)	As at the end of the previous year (31 December 2017) (audited)	Changes (%)
Total current assets	64,114,386	59,001,923	8.66%
Total non-current assets	74,153,973	71,602,456	3.56%
Total assets	138,268,359	130,604,379	5.87%
Total current liabilities	58,400,876	50,206,855	16.32%
Total non-current liabilities	38,221,442	37,160,090	2.86%
Total liabilities	96,622,318	87,366,945	10.59%
Shareholders' equity	41,646,041	43,237,434	(3.68%)
Attributable to:			
Equity of shareholders and other equity holders of the parent company	30,663,008	32,460,927	(5.54%)
Minority interests	10,983,033	10,776,507	1.92%
Share capital (shares)	2,984,956,336	2,982,889,136	0.07%

Unit: RMB thousand

Consolidated cash flow statement items	The Reporting Period (January - June 2018) (unaudited)	The same period of the previous year (January - June 2017) (unaudited)	Changes (%)
Net cash flows from/(used in) operating activities	(856,239)	(668,216)	(28.14%)
Net cash flows from/(used in) investing activities	(2,277,508)	(1,507,729)	(51.06%)
Net cash flows from/(used in) financing activities	2,745,243	1,875,660	46.36%

	As at the end of the Reporting Period (30 June 2018) (unaudited)	As at the end of the previous year (31 December 2017) (audited)	Changes (%)
Balance of cash and cash equivalents at the end of the period	4,643,026	5,940,423	(21.84%)

3.2 Key Financial Indicators

	The Reporting Period (January - June 2018) (unaudited)	The same period of the previous year (January - June 2017) (unaudited)	Changes (%)
Basic earnings per share attributable to shareholders of the parent company (RMB/share)	0.3061	0.2554	19.85%
Diluted earnings per share attributable to shareholders of the parent company (RMB/share)	0.3038	0.2544	19.42%
Weighted average return on net assets (%)	2.95%	2.76%	0.19%
Weighted average return on net assets after deducting non-recurring profit or loss (%)	2.16%	3.00%	(0.84%)
Net cash flows from/(used in) operating activities per share (RMB/share)	(0.29)	(0.22)	(31.82%)
	As at the end of the Reporting Period (30 June 2018) (unaudited)	As at the end of the previous year (31 December 2017) (audited)	Changes (%)
Net assets per share attributable to shareholders and other equity holders of the parent company (RMB/share)	10.27	10.88	(5.61%)
Gearing ratio (%) (<i>Note</i>)	69.88%	66.89%	2.99%

Note: The gearing ratio was calculated based on the Group's total liabilities divided by our total assets as at the respective dates.

3.3 Non-Recurring Profit or Loss Items And Amounts

Unit: RMB thousand
**Amount (January
– June 2018)
(unaudited)**

Item	
Gain/(loss) from disposal of non-current assets	37,319
Government grants recognised in profit or loss for the current period	120,979
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	9,007
Net gains from disposal of long-term equity investment	116,892
Other non-operating income and expenses other than the above items	1,428
Other profit/loss items defined as non-recurring profit/loss items	–
Effect of income tax	(2,803)
Effect of minority interests (after tax)	(37,441)
Total	245,381

Note: Aforesaid non-recurring profit or loss items (other than the effect of minority interests (after tax)) was presented at amount before taxation.

4 INFORMATION ON SHAREHOLDERS

4.1 Number of Shareholders

As at the end of the Reporting Period (30 June 2018), the total number of issued shares of the Company was 2,984,956,336 shares, including 1,268,379,727 shares of issued A shares and 1,716,576,609 shares of issued H shares.

The total number of shareholders of the Company as at the end of the Reporting Period (30 June 2018) was 83,981, including 13 registered holders of H shares, 83,968 holders of A shares. Based on the public information available to the Company and as far as the Directors were aware, the minimum public float of the Company has satisfied the requirements of Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“**Hong Kong Listing Rules**”).

4.2 Shareholdings of top 10 shareholders as at the end of the Reporting Period (prepared under domestic securities regulatory rules)

Shareholdings of the ordinary Shareholders who hold above 5% or the top ten ordinary Shareholders

Name of Shareholders	Nature of Shareholders	Percentage of shareholding	Number of ordinary shares held at the end of the Reporting Period (Shares)	Changes during the Reporting Period (Shares)	Number of ordinary shares with selling restrictions (Shares)	Number of ordinary shares without selling restrictions
HKSCC Nominees Limited (Note 1)	Foreign legal person	57.79%	1,725,132,326	(5,406,026)	–	1,725,132,326
COSCO Container Industries Limited (Note 2)	Foreign legal person	14.48%	432,171,843	–	–	432,171,843
China Securities Finance Corporation Limited	State-owned legal person	2.34%	69,938,808	(7,946,812)	–	69,938,808
Central Huijin Asset Management Ltd.	State-owned legal person	1.27%	37,993,800	–	–	37,993,800
Zhong Ou Fund-Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.31%	9,252,400	(314,200)	–	9,252,400
ICBC Credit Suisse Fund- Agricultural Bank-ICBC Credit Suisse China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.31%	9,211,800	(354,800)	–	9,211,800
Dacheng Fund-Agricultural Bank – Dacheng China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.31%	9,150,300	(416,300)	–	9,150,300
Yinhua Fund-Agricultural Bank- Yinhua China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.30%	9,094,100	(472,500)	–	9,094,100
E Fund-Agricultural Bank- E Fund China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.30%	9,035,599	(468,700)	–	9,035,599
Bosera Funds-Agricultural Bank- Bosera China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.30%	8,998,000	(568,600)	–	8,998,000
Explanation on the relationship or concerted action of the above Shareholders	Unknown					

Note 1: Among holders of H Shares of the Company, shares of unregistered holders were held by HKSCC Nominees Limited on their behalf. As at 30 June 2018, HKSCC Nominees Limited was the holder of 1,725,132,326 shares of the Company on our behalf, including 8,725,717 A shares and 1,716,406,609 H shares. The H Shares include (but are not limited to) the 733,691,017 H shares held by China Merchants Group Limited (“**China Merchants Group**”) through its subsidiaries (including China Merchants Industry Holdings Co., Ltd., Soares Limited and China Merchants (CIMC) Investment Limited) and the 245,842,181 H shares held by China COSCO Shipping Corporation Limited (“**China COSCO Shipping**”) through its subsidiaries (including the 25,322,106 H shares directly held by Long Honour Investments Limited and the 220,520,075 H Shares directly held by COSCO Container Industries Limited).

Note 2: As at 30 June 2018, save as the abovementioned 220,520,075 H shares of the Company which were registered under HKSCC Nominees Limited (see abovementioned Note 1), COSCO Container Industries Limited held 432,171,843 A shares of the Company.

4.3 Disclosure of Substantial Shareholders under the Securities and Futures Ordinance (the “SFO”) of Hong Kong

So far as the Directors are aware, as at 30 June 2018, 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 SFO of Hong Kong are as follows:

Name of shareholder	Nature of shareholding	Number of shares (shares)	Capacity	Percentage of such shares in the issued shares of the same class (%)	Percentage of such shares in the total issued shares (%)
China Merchants Group (<i>Note 1</i>)	H shares	733,691,017 (L)	Interest of corporation controlled by the substantial shareholder	42.74%	24.58%
China COSCO Shipping (<i>Note 2</i>)	A shares	432,171,843 (L)	Interest of corporation controlled by the substantial shareholder	34.07%	14.48%
	H shares	245,842,181 (L)	Interest of corporation controlled by the substantial shareholder	14.32%	8.24%
Hony Group Management Limited (<i>Note 3</i>)	H shares	358,251,896 (L)	Interest of corporation controlled by the substantial shareholder	20.87%	12.00%
Broad Ride Limited (<i>Note 3</i>)	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%	4.79%
Promotor Holdings Limited	H shares	143,048,050 (L)	Beneficial holder	8.33%	4.79%

(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.), had an interest in the H shares of the Company, all the 733,691,017 H shares (long position) were 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.), had an interest in the A shares and H shares of the Company, all the 432,171,843 A shares and 245,842,181 H Shares (long position) were held in the capacity as interest of corporation controlled by the substantial shareholder.

Note 3: Honky Group Management Limited, through various subsidiaries (including Broad Ride Limited), had an interest in the H shares of the Company, and 215,203,846 H shares (long position) were held in the capacity as interest of corporation controlled by the substantial shareholder and 143,048,050 H shares were 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 30 June 2018, 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 SFO of Hong Kong.

4.4 Information on Substantial Shareholders

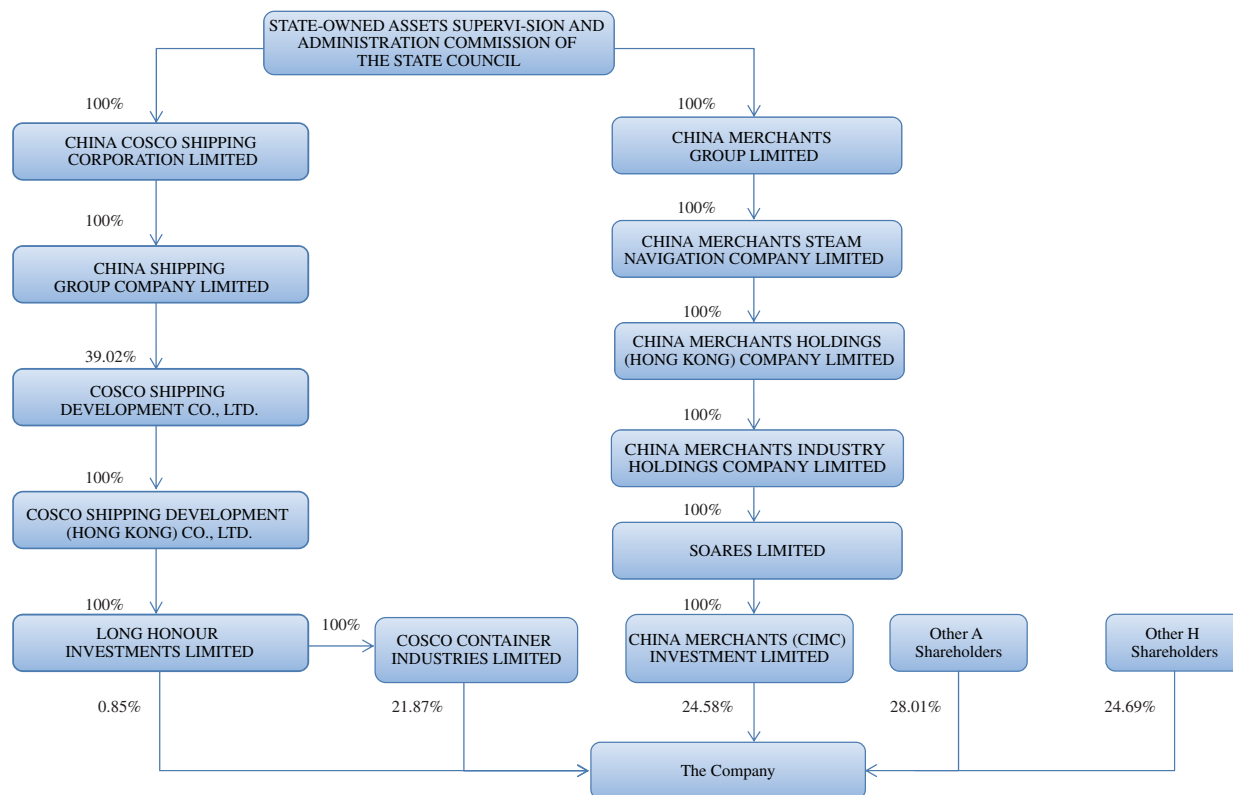
There is no controlling Shareholder or de facto controller of the Company, no change during the Reporting Period. As at the end of the Reporting Period, the substantial Shareholders of the Company are China Merchants Group and China COSCO Shipping.

China Merchants Group was incorporated in October 1986 in the PRC. Its registered capital is RMB10,050 million and its chairman of the board of directors is Mr. Li Jianhong. China Merchants Group's business focuses on three core industries, namely traffic (harbour, highway, shipping and transportation, logistics, ocean engineering and trade), finance (bank, securities, funds and insurance) and real estate (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 Co., Ltd., another subsidiary of China Merchants Group. As at 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 Co., Ltd., Soares Limited and China Merchants (CIMC) Investment Limited) held 24.58% 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 billion and its legal representative is Mr. Xu Lirong. China COSCO Shipping will take shipping, integrated logistics and related financial service as the pillar to provide global integrated logistics supply chain services among various industrial clusters. As at the end of the Reporting Period, China COSCO Shipping, the indirect second largest shareholder of the Company, through its subsidiaries (including China Shipping Group Company Limited, COSCO SHIPPING Development, Long Honour Investments Limited and COSCO Container Industries Limited, etc.) held 22.72% of the issued shares of the Company.

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

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



5 REPORT OF THE BOARD

5.1 Overview of the Operating Results during the Reporting Period

In the first half of 2018, as the US imposed large-scale tariffs that initiated a global trade war, there has been greater fluctuations in the exchange rate of Renminbi against the US dollar, which led to various risks and uncertainties to remain in the recovery of the global economy and trading activities. However, the global economy still remained its trend of moderate recovery. International trade maintained growth and some regions in emerging economies rallied. In addition, the Group had a smaller percentage in products directly exported to the US market. Thus, in the first half of 2018, the overall business position of the Group recorded good performance.

By virtue of the global and domestic economic recovery, during the Reporting Period, the Group's revenue amounted to RMB43,560.398 million (same period in 2017: RMB33,387.152 million), representing significant year-on-year growth of 30.47%. Among the principal businesses, revenue from the container and the airport facilities equipment businesses recorded significant growth. Revenue from the road transportation vehicle, the energy, chemical and liquid food equipment, the heavy truck and the logistics service businesses sustained stable growth, while revenue from the financial business slightly decreased. Revenue from the industrial city development business and offshore engineering business declined to a certain extent. During the Reporting Period, the Group's net profit attributable to the shareholders and other equity holders of the parent company amounted to RMB965.397 million (same period in 2017: RMB796.898 million), representing a year-on-year growth of 21.14%.

5.2 Review of the Principal Businesses during the Reporting Period

The Group is principally engaged in the manufacture of modern transportation equipment, energy, chemical and liquid food equipment, offshore engineering equipment, logistics services and airport facilities equipment as well as the provision of relevant services, including the design, manufacture and service of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, natural gas equipment and static tanks, road transportation vehicles, heavy trucks, jack-up drilling platforms, semi-submersible drilling platforms, special vessels and airport facilities. In addition, the Group is also engaged in the industrial city development business and the financial business. Currently, the Group ranks No.1 in the world in terms of output and sales volume of standard dry containers, reefer containers and tank containers, and the Group is China's largest producer of road transportation vehicles, ranking No.1 in the world in terms of market share of semi-trailers. The Group's boarding bridge business holds the position as a global leader in terms of integrated competitiveness and is one of the three major manufacturers of passenger boarding bridges around the world, with market share in China exceeded 95% for three consecutive years. The Group is also one of the leading high-end offshore engineering equipment enterprises in China.

During the Reporting Period, there was no significant change in the major business model of the Group, and the businesses contributing 10% or more to the Group's revenue or profit included container, road transportation vehicle, energy, chemical and liquid food equipment and financial businesses, respectively.

Container Manufacturing Business

The Group's container manufacturing business mainly deals with standard dry containers, reefer containers and special reefers. The Group has the capacity to produce a full series of container products with independent intellectual property rights. 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 at No.1 in terms of sales volume of containers in the industry.

In the first half of 2018, global trade continued to maintain steady growth, container transportation volume increased steadily. Customers maintained strong procurement demand for new containers given higher market demand. Container prices remained stable as a result of the relatively balanced supply-demand in the container manufacturing industry. During the Reporting Period, the overall sales volume and revenue of containers of the Group achieved significant year-on-year growth. While maintaining favourable growth in demand, the Group also seized market opportunities and significantly increased market share, especially in the reefer container business.

During the Reporting Period, the accumulated sales volume of ordinary dry containers of the Group reached 806,900 TEUs (same period in 2017: 535,700 TEUs), representing a year-on-year increase of 50.63%; the accumulated sales volume of reefer containers reached 76,600 TEUs (same period in 2017: 35,100 TEUs), representing a year-on-year increase of 118.23%. The container business of the Group recorded a revenue of RMB16,094.146 million (same period in 2017: RMB10,049.055 million), representing a year-on-year increase of 60.16%, and a net profit of RMB213.564 million (same period in 2017: profit of RMB681.102 million), representing a year-on-year decrease of 68.64%. The decrease in net profit was mainly due to high cost of water-based paint used in coating lines and rising steel prices, which resulted in a year-on-year decrease in gross profit.

In the first half of 2018, the demand recovery in the container business of the Group continued, with more orders in the first half of this year than that in the same period of the previous year. However, affected by the higher costs of containers with water-based paint and the increase in steel prices as well as other factors, the overall profit levels declined notably compared to that of the same period of the previous year. As at 30 June 2018, the dry special container production lines of the Group have completed water-based paint renovation tasks; production and operation has started to generate positive results, and market share was at a stable and normal level. Meanwhile, in terms of technical R&D, the Group increased injection of various resources committed to improve the level of automatisisation, informatisation, digitalisation and green development of the container business of the Group, with the work for various projects currently progressing in an orderly manner. In terms of significant investments, different construction tasks of the relocation project of containers in Fenggang, Dongguan, are currently progressing in an orderly manner, and it is estimated that Phase I construction of the project will be officially put into operation in the third quarter of the year.

Road Transportation Vehicle Business

CIMC Vehicle (Group) Co., Ltd. (“**CIMC Vehicle (Group)**”), a subsidiary of the Group, has developed different product lines for special vehicles consisting of 10 series and more than 1,000 models. Products include 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 and cover major domestic and international markets.

In the first half of 2018, the global economy continued the momentum of growth from the previous year. In the domestic market, affected by last year’s excessive purchase of e-commerce logistics transportation products, product replacement for semi-trailers in the logistics industry slowed down, and by virtue of policies and regulations, orders for car carriers have seen exponential growth. Meanwhile, the increase of infrastructure projects propelled the demand for engineering special-use vehicles. In the overseas market, the US economy grew vigorously, and there was strong demand for replacement of maritime skeleton trailers. Western and Eastern Europe achieved a favourable economic growth. While in emerging markets, the economy grew at a slow pace, with increased market uncertainties as well as political and financial risks in some regions.

During the Reporting Period, the Group’s road transportation vehicle business achieved total sales volume of 92,001 units (same period in 2017: 81,468 units), representing a year-on-year increase of 12.93%. The Group recorded revenue (excluding the heavy truck business) of RMB11,529.461 million (same period in 2017: RMB9,719.601 million), representing a year-on-year increase of 18.62%, and achieved net profit (excluding the heavy truck business) of RMB626.200 million (same period in 2017: RMB568.016 million), representing a year-on-year increase of 10.24%. The increase in revenue and net profit was mainly due to growth in the construction vehicle business.

In the first half of the year, CIMC Vehicle (Group) continued promoting global operation management steadily, enhanced operational efficiency of assets and corporate profitability in each business unit, and focused on investment and development of the incremental business and the innovation business in each business unit. In the domestic market, the company improved the production capacity optimisation design of its plants and actively captured opportunities within market segments. In the overseas market, the company actively seized opportunities brought by soaring demand from the replacement of maritime skeleton trailers in the North American market, while in the European market, the company focused on its leading products, actively promoted business cooperation between domestic and overseas enterprises and leveraged its leading position in cost. In emerging markets, the company sought for business growth through focusing on development and cultivation of key markets.

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 clean energy, chemical environment 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.

Against the backdrop of oil prices gradually recovering, the economic value of natural gas begins to emerge. On top of that, environmental protection requirements becomes increasingly stringent, resulting in a trend of rapid growth in natural gas consumption in the first half of the year. During the Reporting Period, CIMC Enric's energy equipment segment recorded a slight increase in revenue. Its chemical equipment segment recorded a year-on-year growth driven by sales volume of tank containers, while its liquid food equipment segment recorded a slight increase in revenue due to the impact of increased orders and a faster than expected construction progress.

In the first half of the year, the energy, chemical and liquid food equipment business of the Group recorded a revenue of RMB6,185.680 million (same period in 2017: RMB5,060.511 million), representing a year-on-year increase of 22.23%, and a net profit of RMB298.633 million (same period in 2017: RMB52.263 million), representing a significant year-on-year increase. Of which, the revenue from CIMC Enric's energy equipment business was RMB2,516.134 million (same period in 2017: RMB2,164.153 million), representing a year-on-year increase of 16.26%; the revenue from its chemical equipment business was RMB1,699.997 million (same period in 2017: RMB1,363.939 million), representing a year-on-year increase of 24.64%; and the revenue from its liquid food equipment business was RMB1,410.177 million (same period in 2017: RMB1,098.214 million), representing a year-on-year increase of 28.41%.

During the Reporting Period, each principal segment of CIMC Enric was committed to “achieve continued growth with quality” by strengthening core technical reserve and enhancing business competitiveness. (1) The energy equipment and construction segment commenced several R&D projects, such as large LNG fuel tanks for vessels, new LNG refilling stations, and safe LNG transport semi-trailers using new structure, standards and materials. The segment was also devoted to overseas market deployment and developed the skid mount LNG refilling station R&D, LNG fuel equipment for vessels and supply system development targeting the international market. Meanwhile, in order to promote healthy sustainable development, the segment also actively expanded R&D projects in the new energy sector, such as upstream-to-downstream equipment using hydrogen energy and technical R&D projects. (2) The chemical equipment segment strove to provide customers new logistics solutions and was devoted to the R&D of multi-series and multi-type tank containers. During the Reporting Period, the segment successfully researched and developed tank containers with anticorrosive linings, remaining as the leader in the industry with its tank container technology. (3) The liquid food equipment and construction segment strove to enhance the key beer equipment product ranges to provide overall solutions for the international and domestic food equipment markets, such as deaerated water manufacturing system and liqueur mixing system development project.

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 as a general contractor. CIMC Raffles is also one of the leading contractors of high-end offshore engineering equipment in China. Its major businesses include the design and construction of semi-submersible 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 the majority of offshore engineering products.

In the first half of 2018, benefitting from OPEC production cuts exceeding expectations, the crude oil market overall maintained a positive upward trend and international oil prices rebounded to a standard of USD70 per barrel. From a long-term perspective, the crude oil market still remained in a slow recovery trend, and the continued volatile rise of market prices has not changed. The market in which the global offshore engineering equipment operates continued its moderate recovery trend; equipment utilisation rates were further increased, and the industry continued its optimisation and integration. There was an intense market competition among the floating production platform market, and orders for offshore engineering non-hydrocarbon vessels increased. On 13 June 2018, President Xi Jinping visited the Yantai plant of CIMC Raffles Offshore Ltd. to learn more about CIMC Offshore’s pursuit of independent innovation and development as well as the progress of establishing independent design, research and development, and manufacturing of its high-end offshore engineering equipment, leaving with high expectations for CIMC Offshore.

However, affected by characteristics of the offshore engineering equipment industry and reasons such as new orders acquired but not yet entering construction stages and the postponed delivery of the orders on hand, during the Reporting Period, the offshore engineering business of the Group recorded a revenue of RMB788.190 million (same period in 2017: RMB1,214.509 million), representing a year-on-year decrease of 35.10%, and a net loss that expanded to RMB705.578 million (same period in 2017: net loss of RMB550.421 million).

In the first half of the year, CIMC Raffles' CR600 accommodation platform with complete independent intellectual property rights completed Petrobras testing and implemented the Petrobras lease. The newly acquired order for FPSO unit commenced construction at the end of March this year. The contract of Norway's Nordlaks deepwater breeding vessel with a contract amount of USD106 million became effective in February 2018. Other newly effective orders with an aggregate value of USD25 million include an 800-passenger vessel, a marine ranching platform, deepwater aquaculture cages, etc. As at the end of the first half of the year, CIMC Raffles held effective contracts with a value of USD131 million.

Logistics Service Business

In the first half of 2018, frictions emerged in economic trade between China and the US, which brought uncertainties to global trade recovery, with a global liquidity slowdown and a decrease in import and export business. Meanwhile, as logistics technological advancements such as blockchain and unmanned technology continued to be developed, economy and trade growth drivers shifted with a clear trend of professionalism and a continuous improvement on resource allocation efficiency. Traditional logistics enterprises were faced with challenges as utilisation of the Internet and informatisation continued to develop.

During the Reporting Period, due to the significant increase in revenue from the rail-water transport business, the logistics service business of the Group achieved a revenue of RMB4,062.616 million (same period in 2017: RMB3,751.202 million), representing a year-on-year increase of 8.30%, and a net profit of RMB83.516 million (same period in 2017: RMB57.340 million), representing a year-on-year increase of 45.65%.

In the first half of 2018, the logistics service business of the Group steadily pushed forward four major business lines. (1) The container services business line formulated the business plans focusing on the development of three major products, namely container yard, railway station service and selling and leasing of containers; strengthened cooperation in Southeast Asian markets including Thailand and Vietnam; commenced joint projects in the container yard business with shipping companies; continued improving the service network of the railway cold chain, and provided container leasing and complementary services for railroad logistics companies; successfully completed the global sale of secondhand dry containers which the Group won a tender from Yang Ming Marine Transport in the previous year. (2) The marine transport and project logistics service business line improved domestic and international network distribution based on and along the “Belt and Road” initiative, focusing on key regions such as Africa, Central and Eastern Europe and Southeast Asia; promoted the shipping and freight forwarding network distribution in Southern China, and expanded shipping and freight forwarding service coverage; established professional logistics companies for engineering projects; actively explored strategic opportunities in new fields such as LNG tank container intermodal transport, cross-border e-commerce logistics and cold chain logistics. (3) For the rail-water transport business line, CIMC Kaitong Logistics Development Co. Ltd. closely adhered to the national “Belt and Road” initiative, established joint venture platform companies of international railway lines, launched an aggregate of 53 entry and outbound railway lines between January and June, completed a container shipping volume amounting to 5,315 TEUs, and achieved full coverage with its three railway routes spanning across the eastern, central and western regions; domestically, it proactively promoted construction of green logistics trunk network of multimodal transport to open a special railway line for coal road-rail transport containers. Sino-Worlink (Beijing) International Logistics Co., Ltd. continuously focused on and pushed forward in multimodal transport fields including automobile logistics, cold chain logistics and project logistics to complete domestic and overseas network deployment. In the first half of the year, it cooperated closely with China Railway Special Cargo Automobile Logistics Co. Ltd. (CRSCAL) and achieved a significant breakthrough in the field of international passenger vehicle transport, successfully becoming the logistics supplier of leading international automobile companies such as BMW and VOLVO. Furthermore, the logistics service business has actively developed cross-border railway transport of special cargo by deepening the “Belt and Road” initiative and seizing great opportunities of development in the international railway transport market. (4) The equipment logistics business line clearly defined modular packaging leasing operation service as its core business and continued to cultivate the fields of food, energy and chemicals in order to put effort into creating professional products with market competitiveness for promoting logistics solutions of “logistics + apparatus” with the belief that “equipment changes logistics”, as well as proactively extended off-line network to establish and implement the leasing operation platform.

Heavy Truck Business

C&C Trucks, a subsidiary of the Group, operates the heavy truck business. C&C Trucks Co., Ltd. (“**C&C Trucks**”) positions its products in the mid-end to high-end heavy truck market in the international market and the high-end heavy truck market in the domestic 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 five series, namely tractors, mixer trucks, dump trucks, cargo trucks and special-use vehicles.

In the first half of 2018, the demand in the heavy truck market maintained rapid growth, which was mainly attributable to the following driving factors: (1) Investments in fixed assets, particularly those for infrastructure, maintained stable growth; (2) Starting 1 July, carriers that fail to comply with regulations are banned from use on roads, which drove the upgrade of carriers or its replacement with newer models; (3) Several local governments either banned National III diesel-powered vehicles from entering cities or encouraged replacement and upgrade of such vehicles.

During the Reporting Period, C&C Trucks under the Group recorded overall sales volume of 5,523 units (including domestic market sales volume of 5,273 units and international market sales volume of 250 units; same period in 2017: 4,438 units), representing a year-on-year increase of 24.45%, recorded a revenue of RMB1,620.106 million (same period in 2017: RMB1,283.201 million), representing a year-on-year increase of 26.26% and a net profit of RMB5.445 million (same period in 2017: loss of RMB42.814 million). During the Reporting Period, the loss-to-profit turnaround recorded by C&C Trucks mainly benefitted from the growth in revenue scale, improvement in management efficiency and increase in investment income.

In the first half of the year, C&C Trucks actively responded to the market. In the domestic market, C&C Trucks formulated the “one store, one policy” special project policy to support regional key products based on regional differentiated markets; at the same time, it developed adaptable vehicle models such as Shenzhen muck trucks, natural gas harbour vehicles, low-roof coal trucks and new energy electric trucks in order to meet demands of differentiated markets. C&C Trucks also targeted products that reach a certain scale in sales in specific regions and realised growth in sales volume. In the international market, C&C Trucks began the business model of mainly focusing on spare parts delivery, supported by full truckload delivery, to expand new markets while retaining old markets, opened up Southeast Asian and Central Asian markets through border trade, and explored emerging markets such as Poland and Mongolia. This became an initial step of changing limited number of market channels in the past and laying the foundation for better development in international business.

Airport Facilities Equipment Business

In the first half of 2018, the Group injected equity interest in Pteris Global Ltd. into China Fire Safety Enterprise Group Limited (now renamed as “CIMC-TianDa Holdings Company Limited”, referred to as “**CIMC-TianDa**”). This move facilitates putting management and control advantages of the Group’s airport segment management into full play as well as the integration of core competitive capabilities of its core businesses such as airport facilities equipment, fire and rescue equipment and logistics equipment.

The principal business of the Group’s airport facilities equipment business includes airport facilities equipment business (including GSE (Ground Support Equipment) business), fire and rescue vehicle business, automated logistics systems business and smart parking business.

In the first half of 2018, the global airline industry sustained development and demand for airport facilities equipment continued to grow steadily. Driven by its increased effort in infrastructure construction and affected by its further development of urbanisation, China’s market growth was more significant. The development of e-commerce express delivery brought excellent opportunities to the automatic logistics equipment business. Upon the joint promulgation of the Guidance Opinions on Strengthening the Construction of Urban Parking Facilities (Fa Gai Ji Chu [2015] No. 1788) by the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources and other ministries and departments, local governments had introduced policies on encouraging the development of the parking industry, which brought about continuous positive effect on the smart parking equipment industry.

During the Reporting Period, the Group’s airport facilities equipment business recorded revenue of RMB1,749.181 million (same period in 2017: RMB1,180.919 million), representing a year-on-year increase of 48.12%. It recorded net profit of RMB85.468 million (same period in 2017: loss of RMB4.173 million). During the Reporting Period, the loss-to-profit turnaround recorded by the airport facilities equipment business was mainly due to the significant increase in quantity of delivered boarding bridges as compared to that of the corresponding period in the previous year.

In the first half of the year, the strength of the Group’s airport facilities equipment business was further improved: (1) The airport facilities equipment business: domestic business furthered gained steady growth, and accelerated the expansion plan of advancing into the US market. The research and development of the unmanned boarding bridges technology made progress in an orderly manner. Relying on the airport facilities business, the bridge loading and other boarding bridge ancillary product businesses also gained steady growth in the first half of the year. In terms of GSE business, the two-way shuttle ferries and electric-powered products of Xinfa Airport Equipment Ltd., a subsidiary of the Company, gained further customer recognition and its results went up steadily. The Group advanced optimisation and integration of AeroMobiles Pte. Ltd in an orderly manner. CIMC Air Marrel SAS has developed 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. (2) The fire and rescue vehicle business: Ziegler (Albert Ziegler GmbH) was in the process of establishing a factory in Croatia to reduce manufacturing costs in a reasonable manner. For the domestic market, while the fire and rescue vehicle business is growing steadily, the focus is on the development of the aerial lift truck market and the active

deployment of a strategy covering product lines and areas through all dimensions. On 31 July, Allied Best (China) Fire Safety Appliances Manufacturing Co., Ltd, an indirect wholly owned subsidiary of CIMC-TianDa, acquired 60% equity interests in Shenyang Jietong Fire Truck Co., Ltd. (瀋陽捷通消防車有限公司) (“**Shenyang Jietong**”). This enables the Group to strengthen its portfolio of fire engines and enlarge its geographical market coverage and production capacity, and allows the Group to have access to Shenyang Jietong’s research and know-how, which the Group could leverage on to further accelerate the pace of its business development. This transaction is still pending approval at the general meeting of CIMC-TianDa. In addition, the Group entered into a strategic cooperation agreement with Guangdong Province Public Security Fire Brigade (廣東省公安消防總隊). Building on mutual benefit and win-win cooperation, the Group innovated comprehensive solutions of fire engine leasing and provided complete series of high-to-low-end fire safety equipment to accelerate upgrade of the fire safety business in Guangdong Province. The Group also pioneered a new model of “equipment + finance + service” for the fire engine business. (3) The automated logistics systems business: benefitting from core technologies including automated sorting, the integrating capacity of logistics systems has seen enhancement with more large orders secured. Meanwhile, the business strengthened optimisation and integration of its internal resources, lowered costs and raised efficiency, thereby further enhancing profit levels. (4) The smart parking business: during the Reporting Period, the new energy multi-storey public car park for buses was the first to obtain certification in China and the Group has been steadily proceeding with pilot projects. Meanwhile, the Group also has the independent intellectual property rights of the mechanical multi-storey public car park for small cars.

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. Its principal businesses include the development of complexes in industrial cities, development and operation of industrial parks and development of some traditional real estate.

In the first half of 2018, CIMC Skyspace Real Estate, a non-wholly-owned subsidiary of the Group, achieved breakthroughs in areas such as land reserve and project advancement. The acquisition of 2 parcels of land in Shanghai and Shenzhen marked CIMC Skyspace Real Estate’s first trial-running of wholly-owned quality projects in first-tier cities: In January 2018, CIMC Skyspace Real Estate acquired leasehold housing land in Luodian Town, Baoshan District, Shanghai, with a total gross floor area of approximately 91,500 square metres, on which leasehold residence under the Group’s direct holdings will be constructed; In June 2018, CIMC Skyspace Real Estate successfully acquired the industrial land No. A621-0043 in Guangming New District with a total gross floor area of 138,700 square metres. The project has since been fully initiated. The land will be used to construct the first world-class low orbit satellite IoT industrial park in China. Overall, the Qianhai land projects realised major breakthroughs and advancements. Among them, foundation was laid out for Qianhai CIMC pre-initiation project (first phase) on 21 March 2018. It has since entered a substantive rapid acceleration phase. In the first half of 2018, CIMC Skyspace Real Estate entered into strategic cooperation agreements with various local governments for the integrated development projects of industrial cities so as to lay down a solid foundation for sustainable business development.

During the Reporting Period, the Group's industrial city development business realised a revenue of RMB159.955 million (same period in 2017: RMB297.664 million), representing a year-on-year decrease of 46.26%, and a net profit of RMB38.009 million (same period in 2017: RMB65.035 million), representing a year-on-year decrease of 41.56%. The decrease in sales revenue and net profit was due to the confirmation time of deliveries for the current year was primarily concentrated in the second half of the year, and the decrease in areas for sale that have been delivered and charged to revenue during the Reporting Period.

CIMC Skyspace Real Estate focused on industrial park business and strove to become a de facto "industrial park operation expert". In the first half of 2018, the company had undergone significant adjustments in strategy development, organisation structure and other areas. In addition, the company established an industry business department and a business development department to enhance its industrial park operation capabilities through building "six major centres" (including industry research centre, planning and design centre, merchant service centre, financial service centre, incubator acceleration centre and operation service centre) and fostering "nine major capabilities" (including industry research capability, planning and design capability, merchant service capability, financial service capability, technical service capability, management service capability, market service capability, administrative service capability and talent service capability). The company also established Shenzhen Tianji Industrial City Investment Development Co., Ltd., a joint venture platform for industrial parks, and introduced strategic cooperation partners for urban regeneration, and worked to strengthen its resources and construction capabilities regarding industrial park operation services and urban regeneration. The work of inviting investments into Dongguan CIMC Intelligence Valley project and Guangdong Xinhui CIMC Database project has progressed smoothly with high regards from the government, society and individual businesses. Among them, the Guangdong Xinhui CIMC Database project was awarded the title of "Entrepreneurship and Innovation Model Bases for Micro and Small Enterprises in Guangdong Province".

Financial Business

The Group's financial business is devoted to establishing a financial service system which matches the Group's strategic role as a leading manufacturer in the world, enhancing the efficiency and effectiveness of the Group's internal capital utilisation, and providing various financial service measures for the Group's strategy extension, business model innovation, industrial structure optimisation and overall competitiveness enhancement. The main operating subsidiaries consist of CIMC Financial Leasing Co., Ltd. and CIMC Finance Co., Ltd..

During the Reporting Period, in respect of the financial business, the Group achieved revenue of RMB1,048.934 million (same period in 2017: RMB1,148.040 million), representing a year-on-year decrease of 8.63%, and net profit of RMB306.208 million (same period in 2017: RMB516.097 million), representing a year-on-year decrease of 40.67%. The year-on-year decrease in net profit was mainly due to the decrease in lease income of offshore platform and the increase in financial costs.

In the first half of 2018, the domestic financial industry generally continued the “strict regulation, deleveraging and risk prevention” momentum. With financial deleveraging progress being pushed forward, the aggregate social financing experienced slower growth, while corporate credit risks rose significantly. Meanwhile, banks tightened credit facilities to non-financial institutions, financing costs of financial leasing companies rose, financing accessibility decreased, and the operating capital and liquidity pressure faced by financial leasing companies was increasingly higher. Under the multiple challenges, the domestic financial leasing industry will enter into the stage of stable development from high-speed booming development in recent years, with overall industrial growth decelerated in the first half of 2018. In the face of market adjustment, CIMC Financial Leasing Co., Ltd. adhered to the strategic positioning of “the integration of industry and finance” to enhance the coordination of operation and finance of various business segments under the Group through specialised subsidiaries model, further optimised business layout and asset portfolio, improved the quality of customer base and assets, as well as explored and cultivated the new business of weak cyclicity and low risks relevant to businesses of the Group. In respect of risk management and control, it continued to optimise and improve the comprehensive risk management system, adhered to the strategy of “quality first, prudent risk management”, and strictly controlled the quality of new investment in business to improve asset safety. In respect of financing, it established and maintained positive cooperation with external financial institutions, continuously broadened external financing channels, and proactively explored different ways of leased asset securitisation financing. CIMC Financial Leasing Co., Ltd. successfully launched the prototype leased asset securitisation products in June 2018, established financing channels of leased assets and secured funding resources for the company’s development. In the first half of 2018, CIMC Financial Leasing Co., Ltd. investment in new businesses met expectations, with continuous rise in operating efficiency and overall development at a safe and steady pace.

In the first half of 2018, China continued to maintain a prudent and neutral monetary policy and continuously strengthened financial regulatory policies to facilitate high-quality economic growth and deal with financial risks, with increasingly tight capital in the market in general, positive achievement in financial deleveraging and stable increase in currency credit. Under the circumstances, CIMC Finance Co., Ltd. adhered to the industry development trend of the Group and persisted on its function of serving the Group, industry value chain and the real economy, and made additional financial investment of nearly RMB6,600 million in the first half of the year, which provided capital support for group development. Meanwhile, it continued to improve the precision level of its financial services, formulated specialised financial service plans with respect to the characteristics of industrial development to enhance the efficiency and effectiveness of the Group’s utilisation of capital, and actively expanded the credit business for buyers to enhance the comprehensive competitiveness of the Group in terms of industrial development. In respect of risk prevention and control, CIMC Finance Co., Ltd. fully implemented the regulatory policy requirements to risk prevention, strengthened the awareness in risk management and control so as to ensure the stable development of the Group’s financial business.

Others Businesses:

Modular Building Business

During the Reporting Period, the modular building business of the Group sustained stable development under the guidance of the “manufacturing + finance + service” triple business model.

In the international market, the Group further expanded into new markets in various countries and regions including the UK, the US, Australia, New Zealand, Iceland, etc. The UK market, as a maturing market, demonstrated different potentials in the three market segments: hotel, student residence apartment and private residence. In the hotel market, the initial design of several projects have been completed, which were expected to secure batch orders during the year; in the student residence apartment market, with the delivery of the student residence apartment project of the University of Newcastle, the market influence of the modular building business brand of the Group has been increasing; in the private residence market, negotiations with a number of related parties of the projects have been conducted, and intent of initial cooperation has been agreed upon. In the US market, the construction of the first project has been completed. The construction of the Djibouti project in the African market has been completed; In the Australian and New Zealand market, we have got access to high-rise hotel buildings and public safety service facilities sector; in the Scandinavian and Iceland market, we met all qualification requirements and successfully attracted interests of prospective buyers to place orders.

In the domestic market, national, provincial and municipal governments are proactively pushing forward policies for new types of buildings, giving a significant lift for the development of modular building in the domestic market. For the hotel and office building projects in the Xiong'an service centre, which was the first granted bid in Xiong'an, the modular buildings completed by the Group have been successfully delivered and put into operation, all done at the quick pace required there in “Xiong'an”. The Group pushed forward technological access to the Hong Kong market simultaneously in an orderly manner, and obtained the signature CIC Zero Carbon Building project, realising another breakthrough in a market segment. In addition, the modular building business of the Group cooperated with the China Association for Engineering Construction Standardisation to complete the amendments to the “Box Steel Structure Integration Building Technology Procedures (箱式鋼結構集成建築技術規程)”, which has entered the phase of opinion collection online and is expected to be issued and implemented on schedule during the year.

In the second half of 2018, the modular building business of the Group aims to stabilise existing markets and expand into new markets, expects to enter into agreements to build private apartments for a broader range of users in the society, and further expand into Scandinavian, North American and Hong Kong market through enhancement in qualifications and solidifying our brand effect. At the same time, the Box Steel Structure Integration Building Technology Procedures jointly prepared by CIMC Modular and China Association for Engineering Construction Standardisation will be duly published, indicating that the modular building business of the Group has achieved the upgrade of corporate standards towards industrial standards, which enabled us to leverage the national policies and facilitate faster development in domestic modular building.

Multimodal Transport Business

In the first half of the year, the business development of the Group's subsidiary CIMC Multimodal Transport Development Co., Ltd. (中集多式聯運發展有限公司) (“**CIMC Multimodal Transport Company**”) further accelerated. The advantages of the business layout built through synergic development of highway, railroad, and water transport and various other modes of transport have started to emerge, gradually enhancing our operating efficiency. In terms of channel network distribution, CIMC Multimodal Transport Company has taken advantage of the reform of railway freight transport and continued to improve the layout of railway container express. Its businesses encompass regions in East, South, Central, South-west, North-west and North China. Meanwhile, rapidly increasing controllable vessel shipping capacities have helped facilitate the establishment of vessel transportation platforms and promote the integration and efficiency of transportation business for bulk cargo along the coast. In respect of the establishment of the cargo collection and distribution system developed based on the layout of railway routes, continuous investment has enabled CIMC Multimodal Transport Company to effectively integrate public resources and further enhance warehouse distribution capabilities. Significant progress was also made in the construction of railway stations. During the Reporting Period, we saw a quickened pace of enhancement of the platform for business operations and management, continuing to promote the practical application of the Internet, IoT and other new technologies.

In the second half of 2018, the national implementation of a series of measures that promote the reform of transport structures has presented development opportunities in the multimodal transport business. CIMC Multimodal Transport Company of the Group will continue to increase its investment in several aspects, including the network distribution of multimodal transport channels, the operating capabilities of railway stations and the establishment of multimodal transport node network.

5.3 Prospects and Initiatives

5.3.1 Industry Development Trend and Market Outlook in the Second Half of This Year

In the second half of 2018, the global economy is expected to continue to recover moderately. However, the fact that the global trade environment is increasingly harsher brings uncertainties to the global economic recovery. China will further deepen and reinforce the supply-side structural reform, prevent risk, stimulate domestic demand, accelerate implementation of the innovation-driven development strategy and maintain a “prudent and neutral” monetary policy. The economic operation in China will maintain the stable and favourable momentum.

In respect of the container manufacturing business, based on the latest prediction of CLARKSON (an authoritative analysis institution in the industry), the growth of global container trade and shipping capacity will both be 5.3% in 2018. Market supply and demand are kept in balance. The growth in trade slowed slightly compared with last year but remains at a relatively high level in recent years. In addition, as a result of significant rise in oil prices, it is expected that operating results of container shipping companies for the year will generally decline. This will, to some extent, affect customers' willingness to purchase containers. However, it is expected that demand for containers will remain relatively high throughout the year.

In respect of the road transportation vehicle business, in the second half of 2018, as the US economy will be in an overall uptrend, the market demand for maritime skeletal trailer replacement remains strong. The European economy will maintain the momentum of recovery, while lots of external uncertainties still linger on, such as rate hikes and reduction of balance sheet by the Federal Reserve, trade tensions between China and the United States, as well as turbulence in the financial markets of emerging economies. Domestically, as central-axle car carriers are exposed to the policy of restricting emission levels, replacement demand still records significant growth. In addition, state adjustment policies such as restrictions on subsidised demolition of shanty towns will affect real estate development to a certain extent. Although the number of commencement of infrastructure construction projects will remain at a high level and will maintain a growing trajectory, it is expected that the growth of demand for construction vehicles will slow down compared with the first half of the year.

In respect of the energy, chemical and liquid food equipment business, after the State Council issued the Three-year Plan on Defending the Blue Sky (《打贏藍天保衛戰三年行動計劃書》), requiring the completion of interconnected natural gas pipeline networks within a limited time and the opening of south-to-north natural gas transmission pipelines, along with China's increasingly stricter requirements on transportation safety of hazardous chemicals and greater legal awareness on environmental protection in recent years, relevant state authorities continued promulgating policies to encourage the development of tank container multimodal transport. These policies will be beneficial to the increase in penetration rate of tank containers in China's logistics industry. Meanwhile, by virtue of the public's improved living standards and strengthened food safety and health awareness, the liquid food equipment industry is also growing rapidly.

In respect of the offshore engineering business, in the second half of 2018, international oil prices, as the core driving force for the offshore engineering market, will be underpinned by improved global supply and demand, reduced inventories and geopolitical situation. Offshore oil and gas development activities will further increase; market supply and demand continues to improve, and utilisation rate of drilling platforms continues to recover. However, oversupply still exists in the current market, and substantial rebound in rentals is hard to achieve in the short term. Given the limited demand for building new drilling platforms and offshore engineering ships for oil and gas development purpose, floating production platforms and offshore engineering ships for non-oil and gas development purposes will account for the majority of orders for a certain period to come.

In respect of the logistics service business, in the second half of 2018, the trade war between the US and China will continue to escalate, and the anti-trust, anti-subsidy and anti-dumping investigations launched by the Trump administration against China will have an impact on the import and export business, while uncertainties for foreign trade and the import and export business still loom large. However, with national policies in favour of the import and export business, including tariff cuts and customs clearance integration being launched in succession, and proactive promotion of multimodal transport and railway reform, the logistics business embraces good development opportunities. Meanwhile, the rise of the middle class also boost the demand for cross-border e-commerce year by year, and modern service industry such as cross-border logistics is expected to become a new economic driver.

In respect of the heavy truck business, in the second half of 2018, the heavy truck market is expected to enter low-season from a relative standpoint. The demand for construction vehicles, which was strongly boosted by construction commencements remaining at high levels in the first half of the year, is expected to decrease in the second half of the year due to slower growth in existing infrastructure and real estate investment. In addition, the demand for logistics vehicles arising from road freight transportation is also expected to fall. Despite that the heavy truck market was strong in the first half of the year, some of the favourable factors will no longer exist in the second half of the year. As a result, the heavy truck market in the second half of the year is not likely to continue its momentum of high growth as in the first half of the year. Even so, it is expected that total sales of heavy trucks market for 2018 will still surpass 1,000,000 units.

In respect of the airport facilities equipment business, in the second half of 2018, the global airport business is expected to grow steadily, and it is expected that the boarding bridge and peripheral business and the GSE business will benefit as the Ministry of Defense opens up more airspace. The fire and rescue equipment business will also grow steadily as there is a visible trend in merger integrations in the global fire and safety industry, with lifting and special use vehicles as the main profitable points of interests. The automated logistics business will continue to grow with further improvements in smart technology applications. The garage business is favorably backed by policy support. In respect of policies promulgated in pilot cities, it is evident that proposals to develop multistorey parking will be feasible and effective. In addition, the level of smart applications in various industries has also been gradually improving. The garage business is expected to make a major breakthrough in the second half of the year. It is expected that the newly expanded three-dimensional bus garage business will usher in a brand new market.

In respect of the industrial city development business, in the second half of 2018, the Group's industrial city development business will focus further on enhancing and building its capabilities in business procurement, operation and asset management of industrial parks. Meanwhile, the Group will realise an optimal mix of asset-light and asset-heavy businesses for its industrial city integrated development projects. The Group will actively drive the expansion and implementation of its asset-light projects, improve operation and service capabilities as well as expand the management scale of industrial parks.

In respect of the financial business, in the second half of 2018, numerous external uncertainties will still persist, including the ongoing trade disputes between the US and China and more interest rate hikes by the Federal Reserve. The domestic economy will face increased downward pressure, while more volatile fluctuations in market interest rates and exchange rates may be possible. With the dual emphasis on financial deleveraging and regulation, opportunities come with challenges for domestic financial leasing enterprises. On the one hand, they will be confronted with operating pressure and challenges in terms of funds and assets; on the other hand, they will focus back on the leasing business, be more down-to-earth in industrial operations, change their development model and improve the quality of development. By realising the integration of capital and equipment, they will create competitive advantages through professionalism in leased properties and product differentiation.

5.3.2 Major Risk Factors of the Group

In the second half of 2018, the business operation environment of the Group will still be exposed to the following macroeconomic and policy adjustment risks.

- **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 protection policies and land policies, etc. with very material 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 protectionism and anti-globalisation:** anti-globalisation trend such as trade protectionism measures implemented by the US will bring more uncertainties to global trade recovery and threats to global economic growth. With the publication of the tax-free list and the implementation of tariff hike, the market demand of part of the Group's products exported to the US could be negatively affected to a certain extent.
- **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 RMB against 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 imbalance between supply and demand, which will cause intensified competition in the industry. In addition, the competition pattern of the industry may change due to entry of new players or improved capacity of existing competitors.
- **Employment and environmental protection pressure and risks:** with demographic changes in China and gradual loss of demographic dividend, labour costs in China's manufacturing industries have been continuously rising. 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.

5.3.3 Overall Operation Targets for Business Development and Initiatives of the Group in the Second Half of 2018

In the second half of 2018, centering on intelligent manufacturing and intelligent logistics, the Group will keep insisting on implementing the strategy of “Manufacturing + Service + Finance”, continue to carry out business transformation and upgrading and extend its manufacturing business to the service sector based on customer demand, thus providing a comprehensive solution that covers the entire life cycle of its products. The Group will continue to enhance its global operation capabilities, optimise its business and assets, and speed up industry clusters to cultivate its advantages on industrial chains. Innovations will be constantly made in technology upgrading, business model and management mechanism, in which related risks will be controlled. The Group will strive to capture the opportunities brought by market changes and expand its coverage on emerging industries and innovative businesses to achieve sustained quality growth.

In respect of the container manufacturing business, in the second half of 2018, for the mature container business, the Group will carry out innovative upgrade, structural adjustment and connotative optimisation, the Group will continue to reshape its core competitiveness in the container manufacturing business, strengthen and enhance its leading position in the container manufacturing industry. The Group will also proactively seize the opportunity in market fluctuations by strengthening production, supply and sales chains. The Group will further accelerate the upgrading and transformation of production lines for containers through intelligent manufacture upgrading projects, and commence the construction of the segment joint finance center and joint procurement center to enhance its business management capabilities based on the ERP project and the electronic procurement platform project. By optimising and improving the key employee incentive scheme, the Group will be able to effectively induce key employees’ motivation and creativity. In respect of new business expansion, the Group will continue to quicken its pace of land commercialisation, establish a model combining industrial fund investment and equity direct investment through collaborations, and actively explore and develop related business areas, such as cold chain equipment and logistics equipment.

In respect of the road transportation vehicle business, in the second half of 2018, the Group’s subsidiary CIMC Vehicle (Group) will continue to carry out the advanced business philosophy of “Global Operation 2.0”, actively promote the realisation of production line upgrade and its operation and shore up effectiveness with efficiency. To realise quality growth, the Group will launch a “comprehensive transformation of the organisation”, encourage the establishment of an “agile business team”, as well as building global supply chain to fortify its local competencies. In domestic market, the Group will identify popular products and compete in the market through differentiated sales. In respect of the North American market, it will actively address the risks resulted from changes in trading environment, draw on the low manufacturing cost in China, enhance the overall quality of supply chain and realise manufacturing vehicles in the US. In emerging markets, the Group will put emphasis on exploring and cultivating key markets.

In respect of the energy, chemical and liquid food equipment business, in the second half of 2018, CIMC Enric will continue to adhere to the course of its core business of “equipment manufacturing + construction service + comprehensive solutions” and actively work with state policies to expand market share. CIMC Enric’s energy equipment and construction business will actively deploy its operation in the upstream, mid-stream and downstream of the industry chain and focus on constructing unconventional natural gas processing, LNG receiving terminal stations, city peak reserve, LNG tank container multimodal transport and other solutions. In terms of the chemical equipment business, under the premise of consolidating its leading position in the standard tank container market and on the basis of expanding the application scope of special tank containers and promoting smart upgrade, CIMC Enric will attempt to enter the circular economy of solid waste and establish R&D centres. In terms of the liquid food equipment and construction business, CIMC Enric will utilise advantages in core technologies and EPC general contracting to expand the global market and the non-beer food equipment and engineering business development through all dimensions of the beer industry chain and liquid food business.

In respect of the offshore engineering business, in the second half of 2018, the Group will continue to actively carry out business transformation and distribution of the offshore engineering business by focusing on the oil and gas industries and expanding into a diversity of relevant businesses. The Group plans to implement three key measures: (1) de-stocking: pursuing leasing and disposal of idle assets; (2) structure adjustment: focusing on the offshore business, pursuing product diversification and developing new strengths by expanding into new business; (3) management upgrade: carrying out lean management of offshore engineering business by adopting high benchmarks in vessels and offshore engineering.

In respect of the logistics service business, in the second half of 2018, confronted with changing domestic and foreign market conditions, the logistics segment will further focus on its strategies and optimise its structure under the principle of “Strategic focus, succession and upgrade, coordination and development and progressing with small steps”. The Group will actively promote the optimisation of segment structure and strengthening of the core team. Based on China’s “Belt and Road” initiative, and through acquiring core resources and working with its strategic partners, the Group will be able to quickly complete its plans. The Group will also facilitate innovative businesses such as cross-border logistics. By promoting business digitalisation and the development of an information platform, business operation can be enhanced. The Group will strengthen risk prevention, improve comprehensive logistics solutions and strive to be a world-renowned logistics brand.

In respect of the heavy truck business, in the second half of 2018, C&C Trucks will continue to carry out its work by centering on the operational principles of “market-oriented, efficiency first, risk management, management standardisation and integrity-centric”. (1) In terms of sales, C&C Trucks will fully draw on its market network and efficiently develop the market, and continue to introduce qualified distributors to improve the profitability of each of the stores. C&C Trucks aims to secure financial resources on competitive terms and extend the mode of sale for mixer trucks where co-ordinated efforts from other members of the Group will be involved. (2) In terms of products, C&C Trucks will focus on the market with clear targets, create flagship products and enhance its product competitiveness. C&C Trucks will also adapt a comprehensive strategic layout of its NG (fueled by natural gas) products, focus on building new energy electric trucks and prepare for the upgrade of new national emission standards (China VI), strengthen the quality control of manufacturing process and improve the quality of its products. (3) In respect of services, C&C Trucks will raise the response efficiency of its terminal service and carry out in-depth promotion on its on-schedule delivery service to boost sales. (4) In respect of internal management, C&C Trucks 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. C&C Trucks will aim to promote the core SBU management and control models.

In respect of the airport facilities equipment business, in the second half of 2018, the Group, building on its effort to consolidate the airport facilities equipment business, will capitalise on two major drivers, automation and urbanisation, and focus on developing the fire and rescue business, further extending the application range of its automated logistics business. For example, the Group will enhance its boarding bridge layout in America and improve its general contracting and integrating capabilities. GSE product lines will be further improved through business acquisition when opportunity arises. The Group will continue to seek strategic mergers and acquisitions opportunities for the fire and rescue business, while taking forward its business plans and pursue synergistic integration, in order to realise the enhancement of both business scale and efficiency. The Group put into practice the strategic ideas inspired by the Going Global strategy encouraged by the state, and further introduce foreign quality skills and facilities into the domestic market. The Group will further enhance its aerial lift capabilities by focusing on construction demand driven by urbanisation. The Group will strengthen manufacturing levels of automated logistics to improve delivery ability and be kept aware of advanced technologies. The Group will further accelerate the implementation of the multi-storey parking complex. Meanwhile, the Group will further enhance the human resource system, improving team professional levels and continue to strengthen its risk control. Moreover, the Group will also expand its market presence and boost interaction in Chinese-European and Chinese-US markets on the basis of acquisition and integration.

In respect of the industrial city development business, in the second half of 2018, the Group will follow its plan to enhance development and implementation of new projects for integrated development of industrial cities, push forward effective implementation of major projects in Qianhai and Shanghai and establish foundation for the future development of industrial cities; while further enhancing the implementation of new projects of integrated development of industrial cities, actively push forward implementation of the “three districts and one alley” project in Jiangdu District, Yangzhou and the cold chain technology industrial park project in Jiaozhou and the development of various projects.

In respect of the financial business, in the second half of 2018, CIMC Financial Leasing Co., Ltd. will continue to deepen the coordination of industry and finance, actively explore the operating model of professional subsidiaries, strive to promote the development of business professionalisation, further optimise business distribution, optimise customer portfolio, innovate business mode, enhance the quality of its assets, continue to deepen its comprehensive risk and management system, gradually develop a diversified financing system and financing capability, strengthen the efficiency and service of middle and back office operations, improve the standard of digital management and realise sustainable development. By continuing to be based on the operating theme of “Service, Sharing, Innovation, and Leaping”, and adhering to its principle of serving the people, CIMC Finance Co., Ltd. will comprehensively improve its financial service abilities, improve the quality and efficiency of global capital management services, promote the industry chain financial services, adhere to the risk bottom line and promote the business development of the Group.

6 MANAGEMENT DISCUSSION AND ANALYSIS (PREPARED IN ACCORDANCE WITH RELEVANT REQUIREMENTS OF THE HONG KONG LISTING RULES)

The financial data below is extracted from the unaudited 2018 interim financial statements prepared by the Group in accordance with CASBE. The following discussion and analysis should be read together with the 2018 interim financial statements and their notes set forth in other chapters of the Announcement.

Changes in Accounting Policies for the Reporting Period

For changes in accounting policies for the Reporting Period, please refer to “11.2 Explanation for Changes in Accounting Policy, Accounting Estimates and Calculation Method as Compared with those for the Financial Report of the Previous Year” in the Announcement.

6.1 Key Financial Figures Analysis

Consolidated Operating Results

During the Reporting Period, the Group recorded revenue of RMB43,560.398 million (same period in 2017: RMB33,387.152 million), representing a year-on-year increase of 30.47%, and net profit attributable to shareholders and other equity holders of the parent company of RMB965.397 million (same period in 2017: RMB796.898 million), representing a year-on-year increase of 21.14%. For details, please refer to “5.1 Overview of the Operating Results during the Reporting Period” and note 6 of “11 2018 Interim Financial Report” in the Announcement.

Composition of Principal Businesses during the Reporting Period

Unit: RMB thousand

	Revenue (unaudited)	Cost of sales (unaudited)	Gross profit margin (unaudited)	Changes in revenue from the same period of the previous year	Changes in cost of sales from the same period of the previous year	Changes in gross profit margin from the same period of the previous year
By industry/product						
Container	16,094,146	14,643,074	9.02%	60.16%	77.40%	(8.84%)
Road transportation vehicle	11,529,461	9,751,530	15.42%	18.62%	22.62%	(2.76%)
Energy, chemical and liquid food equipment	6,185,680	5,078,307	17.90%	22.23%	21.16%	0.73%
Offshore engineering	788,190	887,151	(12.56%)	(35.10%)	(34.16%)	(1.62%)
Airport facilities equipment	1,749,181	1,379,329	21.14%	48.12%	44.43%	2.01%
Logistics service	4,062,616	3,694,974	9.05%	8.30%	9.58%	(1.06%)
Financial business	1,048,934	607,203	42.11%	(8.63%)	21.76%	(14.45%)
Industrial city development	159,955	92,091	42.43%	(46.26%)	(43.22%)	(3.08%)
Heavy trucks	1,620,106	1,484,454	8.37%	26.26%	23.04%	2.39%
Others	2,136,588	1,764,740	17.40%	53.25%	50.76%	1.37%
Elimination between segments	(1,814,459)	(1,830,122)	(0.86%)	(6.00%)	(2.09%)	8.34%
Total	<u>43,560,398</u>	<u>37,552,731</u>	<u>13.79%</u>	<u>30.47%</u>	<u>37.85%</u>	<u>(4.62%)</u>
By region (by receiver)						
China	19,512,621	—	—	31.89%	—	—
Asia (regions excluding China)	2,936,111	—	—	(13.25%)	—	—
America	13,334,479	—	—	100.66%	—	—
Europe	7,200,593	—	—	(1.91%)	—	—
Others	576,594	—	—	(52.82%)	—	—
Total	<u>43,560,398</u>	<u>—</u>	<u>—</u>	<u>30.47%</u>	<u>—</u>	<u>—</u>

Segment information

For details of the segment information of the Group during the Reporting Period, please refer to “5.2 Review of Principal Businesses during the Reporting Period” and note 13 of “11 2018 Interim Financial Report” in the Announcement.

Gross profit margin and profitability

During the Reporting Period, the gross profit margin of the Group was 13.79% (same period in 2017: 18.41%), representing a decrease of 4.62%. Among the principal businesses, the gross profit margin of energy, chemical and liquid food equipment, airport facilities equipment and heavy truck businesses increased, and the gross profit margin of the remaining segments remained basically stable or slightly decreased as compared with the same period of the previous year.

Non-operating income

During the Reporting Period, the non-operating income of the Group was RMB21.893 million (same period in 2017: RMB53.216 million), representing a year-on-year decrease of 58.86%. For details, please refer to note 8 of “11 2018 Interim Financial Report” in the Announcement.

Technology development costs

During the Reporting Period, the technology development costs of the Group were RMB327.229 million (same period in 2017: RMB288.459 million), representing a year-on-year increase of 13.44%, which were mainly due to the increase in investment in technology R&D.

Income tax expenses

During the Reporting Period, the income tax expenses of the Group were RMB513.854 million (same period in 2017: RMB509.633 million), representing a year-on-year increase of 0.83%. For details, please refer to note 9 of “11 2018 Interim Financial Report” in the Announcement.

Year-on-year change exceeding 30% in key financial data during the Reporting Period

Unit: RMB thousand

	As at the end of the Reporting Period (30 June 2018) (unaudited)	As at the end of the previous year (31 December 2017) (audited)	Change (%)	Reasons for the change
Advances to suppliers	3,109,220	2,147,721	44.77%	Mainly due to the increase of prepayments for the procurement of raw materials in the current period.
Contract assets	1,534,133	–	–	Mainly due to implementation of remeasurement under the New Revenue Standards.
Financial assets at fair value through profit or loss	–	318,534	–	Mainly due to implementation of reclassification under the New Accounting Standards for Financial Instruments.
Available-for-sale financial assets	–	441,581	–	Mainly due to implementation of reclassification under the New Accounting Standards for Financial Instruments.
Other debt investments	29,620	–	–	Mainly due to implementation of reclassification under the New Accounting Standards for Financial Instruments.
Investments in other equity instruments	1,010,240	–	–	Mainly due to implementation of reclassification under the New Accounting Standards for Financial Instruments.
Other non-current financial assets	424,154	–	–	Mainly due to implementation of reclassification under the New Accounting Standards for Financial Instruments.
Short-term borrowings	21,803,302	15,317,347	42.34%	Mainly due to the increase in financing to satisfy the needs for working capital.
Derivative financial liabilities	165,647	3,025	5,375.93%	Mainly due to the profit or loss from changes in fair value of derivative financial liabilities.
Advances from customers	–	4,624,088	–	Mainly due to implementation of reclassification under the New Revenue Standards.

	As at the end of the Reporting Period (30 June 2018) (unaudited)	As at the end of the previous year (31 December 2017) (audited)	Change (%)	Reasons for the change
Other current liabilities	1,015,204	595,907	70.36%	Mainly due to the issuance of super & short-term commercial papers in the current period.
Other equity instruments	–	2,033,043	–	Mainly due to repayment of perpetual bonds issued in 2015
Other comprehensive income	453,021	219,303	106.57%	Mainly due to implementation of remeasurement under the New Accounting Standards for Financial Instruments.

	The Reporting Period (January to June 2018) (unaudited)	Same period in 2017 (January to June 2017) (unaudited)	Change (%)	Reasons for the change
Credit impairment losses	74,812	229,749	(67.44%)	Mainly due to the further impairment for receivables from SOE in the same period of the previous year.
Investment income	195,771	(10,628)	1,942.03%	Mainly due to the increase in investment income from disposals of long-term equity investments in the current period.

6.2 Financial Resources Review

Liquidity and financial resources

The Group's cash at bank and on hand primarily consist of cash and bank deposits. As at 30 June 2018, the Group's cash at bank and on hand amounted to RMB5,077.690 million (31 December 2017: RMB5,596.314 million), representing a decrease of 9.27% as compared with the end of the previous year. The Group has always adopted prudent financial management policies and maintained sufficient and appropriate cash on hand to repay the bank loans falling due and ensure the business development.

During the Reporting Period, the Group recorded net cash flows from operating activities of RMB(856.239) million (same period in 2017: RMB(668.216) million), net cash flows from investing activities of RMB(2,277.508) million (same period in 2017: RMB(1,507.729) million) and net cash flows from financing activities of RMB2,745.243 million (same period in 2017: RMB1,875.660 million). As at the end of the Reporting Period, the balance of cash and cash equivalent held by the Group was RMB4,643.026 million.

Bank loans and other borrowings

As at 30 June 2018, the Group's short-term borrowings, long-term borrowings, debentures payable and other current liabilities (issuance of super & short-term commercial papers) in aggregate amounted to RMB58,794.323 million (31 December 2017: RMB52,014.876 million).

Unit: RMB thousand

	As at 30 June 2018 (unaudited)	As at 31 December 2017 (audited)
Short-term borrowings	21,803,302	15,317,347
Non-current borrowings due within one year	3,307,738	3,982,626
Long-term borrowings	24,696,783	24,140,168
Debentures payable	7,986,500	7,986,500
Other current liabilities	1,000,000	588,235
Total	58,794,323	52,014,876

In the first half of 2018, the net bank loans appropriated by the Group amounted to RMB5,911.304 million (same period in 2017: RMB2,798.256 million), representing a year-on-year increase of 111.25%. The Group's bank borrowings are mainly denominated in US dollars, with the interest payments computed using fixed rates and floating rates. As at the end of the Reporting Period, the long-term borrowings were mainly due within five years.

Capital structure

The Group's capital structure consists of equity interest attributable to shareholders and liabilities. As at 30 June 2018, the Group's equity interest attributable to shareholders amounted to RMB41,646.041 million (31 December 2017: RMB43,237.434 million) in aggregate, total liabilities amounted to RMB96,622.318 million (31 December 2017: RMB87,366.945 million) and total assets amounted to RMB138,268.359 million (31 December 2017: RMB130,604.379 million). The Group is committed to maintaining an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for shareholders.

At the end of the Reporting Period, the Group's gearing ratio was 69.88% (31 December 2017: 66.89%), which increased by 2.99% as compared with the end of the previous year. (Calculation of the gearing ratio: based on the Group's total liabilities divided by our total assets as at the respective dates.)

Foreign exchange risk and relevant hedge

The major currency of the Group's business revenue is US dollars, while most of its expenditure is made in RMB. As the exchange rates of RMB are affected by domestic and international economic and political situations, and the demand and supply of RMB, the Group is exposed to potential foreign exchange risk arising from the exchange rate fluctuation in RMB against other currencies, which may affect the Group's operating results and has financial condition. The management of the Group has closely monitored its foreign exchange risk and taken appropriate measures to avoid foreign exchange risk.

As at 30 June 2018, the forward foreign exchange contracts of the Group mainly consisted of unsettled forward contracts denominated in US dollars, RMB, Japanese Yen, Great Britain Pound, Euro and AUD, the nominal value of which amounted to USD501.823 million, RMB238.632 million, JPY1,545.048 million, GBP2.4 million, EUR21.333 million and AUD1.3 million, respectively. Pursuant to these forward contracts, the Group shall buy/sell US Dollar, Japanese Yen, Great Britain Pound, Euro and Australian Dollar, with contracted nominal value at agreed rates in exchange of RMB on the contract settlement dates.

As at 30 June 2018, the Group had no unsettled currency swap contracts.

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.

The Group's interest rate risks mainly arise from long-term interest-bearing debts including long-term bank borrowings and debentures payable. Financial liabilities issued at floating interest rates expose the Group to interest rate risk of cash flow while financial liabilities issued at fixed interest rates expose the Group to interest rate risk of fair value. The Group determines the proportion of contracts of fixed interest rate and floating interest rate depending on then market conditions. As at 30 June 2018, the Group's long-term interest-bearing debts are mainly comprised of contracts of floating interest rate denominated in RMB amounting to RMB21,466.71 million (31 December 2017: RMB20,611.021 million).

Interest rate level of the Group is monitored on an ongoing basis. Any increase in interest rates will lead to an increase in the cost of additional interest-bearing debts and the interest expenses of outstanding interest-bearing debts with floating interest rates, and therefore have a material adverse impact on the Group's financial performance. Management will make timely adjustments according to latest market conditions, which may include entering into interest rate swap agreements to mitigate its exposure to interest rate risks. The Group did not enter into any interest rate swap agreements from January to June in 2018 and 2017.

As at 30 June 2018, if the interest rates of borrowings with floating interest rates increased/decreased by 50 basis points with all other variables held constant, the Group's net profit will decrease/increase by RMB26.833 million (31 December 2017: RMB25.764 million).

Credit risk

The Group's exposure to credit risk is mainly generated from cash at bank and on hand, notes receivable and accounts receivable, other receivables, contract assets, debt investment, other debt investment and financial guarantee contracts as well as the debt instrument and derivative financial assets at fair value through profit or loss, which are not included in the impairment assessment. At each balance sheet date, the carrying amounts of the financial assets of the Group represents its maximum exposure to credit risk; the highest amount payable of the maximum exposure to credit risk of off-balance sheet to perform the financial guarantee is RMB2,650,140,000.

The cash at bank and on hand of the Group are mainly bank deposits held with well-known state-owned banks and other mid-large sized listed banks with higher credit ratings. The Group does not foresee any significant credit risks from these deposits and will not likely cause significant losses due to the default of these banks.

In addition, in respect of notes receivables and accounts receivables, other receivables and contract assets, the Group has established a relevant policy to control the exposure to credit risk. The Group assesses the credit quality and sets corresponding credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as prevailing market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with poor credit history, the Group will use written payment reminders, reducing or canceling credit periods, to ensure the overall credit risk of the Group is within a controllable range.

As at 30 June 2018, the Group has no significant guarantees held as collateral and other credit enhancements.

Pledge of assets

As at 30 June 2018, the restricted assets of the Group totally amounted to RMB9,385.505 million (31 December 2017: RMB9,815.725 million), representing a decrease of 4.38% as compared with the end of the previous year. For details, please refer to note 14 of "11 2018 Interim Financial Report" in the Announcement.

Capital commitments

As at 30 June 2018, the Group had capital expenditure commitments of approximately RMB278.844 million (31 December 2017: RMB142.718 million), representing an increase of 95.38% as compared with the end of the previous year, which were mainly used as fixed assets purchase contracts entered into but not performed or performed partially. For details, please refer to note 16(1) of "11 2018 Interim Financial Report" in the Announcement.

Contingent liability

As at 30 June 2018, the Group had contingent liabilities of RMB127.218 million (31 December 2017: RMB125.286 million). For details, please refer to note 15(1) of “11 2018 Interim Financial Report” in the Announcement.

Significant investments and major acquisitions and disposals relating to subsidiaries and associated companies

During the Reporting Period, the Group did not make any significant investment and had no major acquisitions and disposals relating to subsidiaries and associated companies.

Future plans for significant investments and expected sources of funding

For the investment plan of the principal businesses of the Group in the second half of the year, please refer to “5.3.3 Overall Operation Targets for Business Development and Initiatives of the Group in the Second Half of 2018” in the Announcement. The operating and capital expenditures of the Group are mainly financed by our own fund and external financing. The Group will take a prudent attitude to enhance its operating cash flow. The Group has sufficient sources of funding to meet the requirements of capital expenditure and working capital.

Capital expenditure and financing plan

Based on changes in the economic situation and operating environment, as well as the requirements of the Group’s strategic upgrade and business development, the expected capital expenditure of the Group in 2018 was approximately RMB9,100 million, among which approximately RMB1,260 million was actually expensed in the first half of this year, which was mainly used for acquisition of fixed assets, intangible assets and other long-term assets. In the second half of the year, the Group will continue to consider various types of financing arrangements.

On 8 April 2016, as considered and approved by the 3rd meeting of the seventh session of the Board for 2016 of the Company, the Company proposed to issue no more than 386,263,593 new A Shares (including 386,263,593 shares) at no less than RMB13.86 per share to no more than 10 qualified investors including domestic institutional investors and individual investors that meet the relevant requirements and conditions, with gross proceeds not exceeding RMB6.0 billion (“**Non-public Issuance of A Shares**”). The Non-public Issuance of A Shares was considered and approved at the 2015 annual general meeting, the first 2016 A Shareholders’ class meeting and the first 2016 H Shareholders’ class meeting of the Company on 31 May 2016. On 9 March 2018, as it has been almost two years since the Company released the announcement in relation to the proposal of the Non-public Issuance of A Shares, a number of changes took place in the capital market, industry environment and relevant policies while part of the investment items under the original investment project financed by fundraising has been substantially completed. After repeated studies and discussions with the relevant intermediaries, and upon consideration and approval at the fourth meeting in 2018 of

the eighth session of the Board of the Company, the Company has determined to terminate the Non-public Issuance of A Shares and apply to the China Securities Regulatory Commission (“CSRC”) for the withdrawal of relevant application documents. As of the date of this report, the application for the termination of review was approved by the CSRC. On 23 March 2018, the Company received the “Notice in Relation to Termination of Review*” (No. [2018]119) (《終止審查通知書》([2018]119號)) by the CSRC, approving the termination of review on the Non-public Issuance of A Shares. As at the date of this report, the Non-public Issuance of A Shares remained terminated.

On 12 March 2018, upon consideration and approval at the 5th meeting of the eighth session of the Board in 2018, the Company intends to issue overseas listed foreign shares (namely: H Shares) 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. As at the date of this Report, the Company has not yet received approval from the CSRC in relation to the Company’s application for the issuance of overseas listed foreign shares (namely: H Shares).

Use of Proceeds

On 31 December 2015, the Company issued a total of 286,096,100 H Shares to COSCO Container Industries Limited, Broad Ride Limited and Promotor Holdings Limited at HKD13.48 per H Share, and the proceeds raised were HKD3,856,575,428 (equivalent to RMB3,227,639,131) which were used to replenish the Group’s working capital. As at 30 June 2018, the proceeds raised of HKD3,856,575,428 (equivalent to RMB3,227,639,131) have been actually used by the Company. The proceeds raised of HKD0 (equivalent to RMB0) have not been used. The proceeds raised have been fully used to supplement the working capital of the Group.

Employees, training and share option incentive schemes

As at 30 June 2018, the Group had 51,130 employees in total (the end of the same period in 2017: 50,810) in the PRC. The total staff cost of the Group during the Reporting Period, including Directors’ remuneration, contribution to the retirement benefit schemes and share option schemes, amounted to RMB3,662.658 million (same period in 2017: RMB3,216.847 million), representing a year-on-year increase of 13.86%.

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. The Group provides salary and bonus payment to its employees based on their performance, qualification, experience and market earnings as a kind of incentive. 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 the amount of remuneration payable to Directors, and strives to formulate an improved incentive and assessment mechanism based on the operating results of the Group and market conditions.

Dividend Distribution

The Board proposed that no interim cash dividend for 2018 shall be distributed, no bonus shall be issued, and no share shall be converted from reserves into share capital (six months ended 30 June 2017: Nil).

Events after the balance sheet date

For details about the events after the balance sheet date of the Reporting Period, please refer to note 18 of “11 2018 Interim Financial Report” in the Announcement.

Disclosure under the Hong Kong Listing Rules

In accordance with paragraph 46 of Appendix 16 of the Hong Kong Listing Rules, the Company confirms that, save as disclosed herein, there has been no material change in the current information regarding the Company from the information disclosed in the 2017 Annual Report of the Company.

7 REPURCHASE, SALE AND REDEMPTION OF SHARES

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

8 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the standards prescribed in the Model Code contained in Appendix 10 of the Hong Kong Listing Rules as the code of conduct in dealing in securities of the Company by Directors and Supervisors. After inquiries to all the Directors and Supervisors, they confirmed that they had complied with the required standards in the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules during the Reporting Period.

9 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to raising the standard of corporate governance the Group and believes that good corporate governance helps the Group to safeguard the interests of the Shareholders and improve its business performance. The Company has complied with the code provisions under the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules (including the new code provisions in relation to internal control and risk management) during the Reporting Period, except for slight deviation from the code provisions A.1.1, A.2.7, A.6.7 and E.1.2. The latest corporate governance report of the Company was set out in the Social Responsibility & Environmental, Social and Governance Report 2017. Deviations during the Reporting Period have been disclosed in relevant paragraphs below.

Updates regarding to Deviations from Code Provisions as set out in 2017 Annual Report of the Group

Code provision A.2.7 requires that “The chairman shall convene at least one meeting every year with the non-executive Directors (including independent non-executive Directors) without the executive Directors present”. The Company has only one executive Director, Mr. MAI Boliang, and the Company’s business operation is managed and monitored by the executive Director. Accordingly, during the Reporting Period, the Company has not held a Board meeting without the presence of the executive Director.

Code provision 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”. Code provision 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”. WANG Hong, a non-executive Director of the Company (Chairman of the Board), and three independent non-executive Directors (Chairman of the audit committee, the remuneration committee and the nomination committee, respectively) all attended the general meetings convened during the Reporting Period. WANG Yuhang, a non-executive Director (Vice-chairman of the Board) and HU Xianfu (Chairman of the Risk Management Committee of the Board) failed to attend the 2017 annual general meeting and the first extraordinary general meeting in 2018 due to other important affairs.

9.1 The Board and Board Committees

During the Reporting Period, the Board, comprising 8 Directors, held 9 meetings, of which 1 meeting was held on-site, 8 meetings were held in a way of written review resolutions with 40 resolutions reviewed. Save for the regular meetings, in the course of the management and supervision of the Group’s business operations, the Company’s executive Directors have brought major business or management matters to the attention of the Board to hold an interim Board meeting from time to time, and relevant Board decisions were made in the form of written resolutions by all Directors.

Code provision 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 9 Board meetings, of which only 1 meeting 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.

9.2 Board Committees

During the Reporting Period, 16 meetings were held by the Board Committees with 26 letters of opinions from Board Committees passed.

9.3 The Supervisory Committee

During the Reporting Period, 3 meetings of the eighth session of the Supervisory Committee of the Company (the “**Supervisory Committee**”), comprising 3 Supervisors, was held with 10 resolutions reviewed. The Supervisors attended 9 meetings of the Board on a non-voting basis. Supervisor XIONG Bo attended the 2017 annual general meeting and the first extraordinary general meeting in 2018.

9.4 Shareholdings’ General Meeting

On 9 February 2018, the Company held the first extraordinary general meeting in 2018. On 8 June 2018, the Company held the 2017 annual general meeting. The notice, convening, holding and voting procedures of such meetings were in compliance with the relevant requirements of the PRC Company Law, the Articles of Association and the Hong Kong Listing Rules. Upon consideration and approval at the 2017 annual general meeting, the Company has amended the Rules of Procedures for the General Meeting. The full text of the amended Rules of Procedures for the General Meeting was published on China Securities Journal, Shanghai Securities News and Securities Times and on Cninfo website (<http://www.cninfo.com.cn>) on 9 June 2018, and on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cimc.com>).

The independent non-executive Director Mr. WONG Kwai Huen Albert and Supervisor Mr. XIONG Bo attended the first extraordinary general meeting in 2018. The non-executive Directors Mr. WANG Hong (the Chairman of the Board) and Mr. LIU Chong, the executive Director, CEO and President Mr. MAI Boliang, the independent non-executive Directors Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen Albert and Supervisor Xiong Bo attended the 2017 annual general meeting. Non-executive Directors Mr. WANG Yuhang and Mr. HU Xianfu failed to attend due to other important affairs.

10 AUDIT COMMITTEE

The Board has appointed three independent non-executive Directors and established the Audit Committee pursuant to the requirements of the Hong Kong Listing Rules. The members of the audit committee consisted of Mr. PAN Chengwei (Chairman of the Audit Committee with professional qualifications and experience in relation to financial management such as accounting), Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert.

On 23 August 2018, the Audit Committee has discussed with the management and reviewed the 2018 unaudited interim financial report of the Group for the six months ended 30 June 2018, and agreed to present the same to the Board.

11 2018 INTERIM FINANCIAL REPORT

11.1 Auditing Opinion

☒ Unaudited ☐ Audited

11.2 Explanation for Changes in Accounting Policy, Accounting Estimates and Calculation Method as Compared with those for the Financial Report of the Previous Year

☒ Applicable ☐ Not applicable

(1) Revenue

In 2017, the MOF issued the revised Accounting Standards for Business Enterprises No.14 – Revenue (the “**New Revenue Standards**”). The Group has adopted the above standards in preparing the 2018 financial statements. The impacts on the financial statements of the Group are set out below:

According to relevant requirements of the New Revenue Standards, for accumulated differences from the first implementation of the standard, the Group has adjusted retained earnings at the beginning of 2018 and the amount of other relevant items in the financial statements. Comparative financial statements of 2017 are not restated.

Unit: RMB thousand

Changes in accounting policy and reasons thereof	Items affected	Affected amount (increase + decrease -) 1 January 2018
Due to the implementation of the New Revenue Standards, the method of revenue recognition of design projects was changed from performance progress basis to a point when control is transferred	Inventories	18,720
	Accounts receivable	(28,799)
	Deferred income tax assets	2,520
	Undistributed profits	(5,333)
	Minority interests	(2,226)

Compared with the original revenue standard, the impact of the implementation of the New Revenue Standards on relevant items on the financial statements from January to June 2018 is set out below:

Balance sheet items affected	30 June 2018 (increase + decrease -) Affected amount
Contract assets	1,534,133
Inventories	(1,534,133)
Contract liabilities	5,169,120
Advances from customers	(5,169,120)

(2) *Financial instruments*

In 2017, the MOF promulgated the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets and Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments, etc. (hereinafter collectively referred to as the “New Accounting Standards for Financial Instruments”), as well as the Notice on the Revision of the Format for issuing 2018 General Enterprise Financial Statements (Cai Kuai [2018] No.15) in 2018. The Group has adopted the above standards and notice in preparing the 2018 financial statements. The impacts on the financial statements of the Group are set out below:

(i) *Set out below is the table comparing the results of financial instruments classified and measured in accordance with the original accounting standards for financial instruments and the New Accounting Standards for Financial Instruments as at 1 January 2018:*

Original accounting standards for financial instruments			New Accounting Standards for Financial Instruments		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Cash at bank and on hand	Amortised cost	5,596,314	Cash at bank and on hand	Amortised cost	5,596,314
Financial assets at fair value through profit or loss	Measured at fair value through profit or loss	513,414	Financial assets held for trading	Measured at fair value through profit or loss	183,303
			Derivative financial assets	Measured at fair value through profit or loss	11,577
			Other non-current financial assets	Measured at fair value through profit or loss	318,534
Notes receivable and accounts receivable	Amortised cost	17,773,590	Notes receivable and accounts receivable	Amortised cost	17,752,530
			Other current assets	Measured at Fair value through other comprehensive income	21,060
Other receivables	Amortised cost	8,283,236	Other receivables	Amortised cost	8,283,236
Available-for-sale financial assets	Measured at fair value through other comprehensive income (trust wealth management)	408,000	Financial assets held for trading	Measured at fair value through profit or loss	408,000
	Measured at fair value through other comprehensive income (debt instruments)	28,661	Other debt investments	Measured at fair value through other comprehensive income	28,661
	Measured at fair value through other comprehensive income (equity instruments)	3,995	Investments in other equity instruments		869,215
	Measured at cost (equity instruments)	408,925			
Long-term receivables	Amortised cost	12,880,540	Long-term receivables	Amortised cost	12,880,540

As at 30 June 2018 and 1 January 2018, the Group did not have financial assets designated as at fair value through profit or loss.

- (ii) *Set out below is the reconciliation of the carrying amount of the original financial assets adjusted to the carrying amount of the New Accounting Standards for Financial Instruments in accordance with the measurement categories under the New Accounting Standards for Financial Instruments as at 1 January 2018:*

Measurement categories under the New Accounting Standards for Financial Instruments

Note

Financial assets measured at amortised cost	Table 1
Financial assets measured at fair value through profit or loss	Table 2
Financial assets measured at fair value through other comprehensive income	Table 3

Table 1: Financial assets measured at amortised cost under the New Accounting Standards for Financial Instruments

	Note	Carrying amount
Cash at bank and on hand		
	31 December 2017	5,596,314
Less: Transferred to financial assets measured at fair value through profit or loss (New Accounting Standards for Financial Instruments)		—
	1 January 2018	<u>5,596,314</u>
Receivables (<i>Note 1</i>)		
	31 December 2017	38,937,366
Less: Transferred to financial assets measured at fair value through other comprehensive income (New Accounting Standards for Financial Instruments)	(1)	(21,060)
Remeasurement: Total expected credit losses		(177,573)
	1 January 2018	<u>38,738,733</u>
Total financial assets measured at amortised cost (New Accounting Standards for Financial Instruments)		<u>44,335,047</u>

Note 1: As at 31 December 2017 and 1 January 2018, the balance of receivables include financial statement items such as notes receivable and accounts receivable, other receivables and long-term receivables.

Table 2: Financial assets measured at fair value through profit or loss under the New Accounting Standards for Financial Instruments

Financial assets held for trading

	Note	Carrying amount
	31 December 2017	183,303
Add: Transferred from available-for-sale financial assets (original accounting standards for financial instruments)	(2)	408,000
Add: Transferred from cash at bank and on hand (original accounting standards for financial instruments)		—
Add: Transferred from derivative financial assets (original accounting standards for financial instruments)		—
Remeasurement: Changed from amortised cost to fair value		
	1 January 2018	<u>591,303</u>
Derivative financial assets (including other non-current financial assets)		
	31 December 2017	330,111
Less: Transferred to financial assets held for trading (New Accounting Standards for Financial Instruments)		—
	1 January 2018	<u>330,111</u>
Total financial assets measured at fair value through profit or loss (New Accounting Standards for Financial Instruments)		<u><u>921,414</u></u>

Table 3: Financial assets measured at fair value through other comprehensive income under the New Accounting Standards for Financial Instruments

Other debt investments

	Note	Carrying amount
31 December 2017	–	
Add: Transferred from available-for-sale financial assets (original accounting standards for financial instruments)	(3)	28,661
Add: Transferred from notes receivable and accounts receivable (original accounting standards for financial instruments)		
Remeasurement: Changed from amortised cost to fair value		
1 January 2018		<u>28,661</u>
Investments in other equity instruments		
31 December 2017		–
Add: Transferred from available-for-sale financial assets (original accounting standards for financial instruments)		412,920
Remeasurement: Changed from cost to fair value	(4)	456,295
1 January 2018		<u>869,215</u>

	Note	Carrying amount
Available-for-sale financial assets (including other current assets)		849,581
	31 December 2017	
Less: Transferred to financial assets measured at fair value through profit or loss from changes in fair value (New Accounting Standards for Financial Instruments)		(408,000)
Less: Transferred to financial assets measured at amortised cost (New Accounting Standards for Financial Instruments)		
Less: Transferred to financial assets measured at fair value through other comprehensive income (New Accounting Standards for Financial Instruments)	(4)	(441,581)
	1 January 2018	—
Total financial assets measured at fair value through other comprehensive income (New Accounting Standards for Financial Instruments)		<u><u>897,876</u></u>

1) Notes receivable discounted and endorsed

A subsidiary of the Group discounted and endorsed part of the bank acceptance notes according to its daily fund management needs. Its business model for management of bank acceptance notes includes the objective of collecting contractual cash flows and comprises the objective of disposal, therefore, on 1 January 2018, the Group reclassified the subsidiary's bank acceptance notes of RMB21.060 million to financial assets measured at fair value through other comprehensive income, included it in other current assets.

2) Available-for-sale financial assets reclassified to financial assets held for trading

On 31 December 2017, the carrying amount of the trust wealth management product held by the Group amounted to RMB408.000 million. After the Group implemented the New Accounting Standards for Financial Instruments, as trust scheme investments are accounted as debt instruments, its returns depend on the returns of the assets. As its contractual undiscounted cash flows do not represent the objective of collecting contractual cash flows, therefore, on 1 January 2018, the Group reclassified it to financial assets held for trading.

3) Investments in equity instruments to be designated as financial assets measured at fair value through other comprehensive income

On 31 December 2017, the Group held unlisted equity investments measured at cost, with a carrying amount of RMB411.990 million and an accumulated impairment provision of RMB3.065 million. On 1 January 2018, for strategic investment considerations, the Group chose to designate the equity investment as financial assets measured at fair value through other comprehensive income and included it in investments in other equity instruments. Accordingly, the group will adjust the difference of RMB456.295 million between the fair value and the original carrying amount to other comprehensive income at the beginning of the period.

4) Available-for-sale financial assets reclassified to other debt investments

On 31 December 2017, the carrying amount of the bond investments held by the Group was RMB28.661 million. After the Group implemented the New Accounting Standards for Financial Instruments, as the business model of the bond investments has the objective of collecting contractual cash flows and the objective of disposal, and its contractual cash flows characteristics are consistent with the basic lending arrangement, therefore, on 1 January 2018, the Group reclassified it to other debt investments.

- (iii) Set out below is the reconciliation of the impairment provision of the original financial assets adjusted to loss provision in accordance with requirements under the New Accounting Standards for Financial Instruments as at 1 January 2018:

Measurement category	Provision for losses in accordance with the original accounting standards for financial instruments/ Estimated liabilities recognised based on contingency standards	Reclassification	Remeasurement	Provision for losses in accordance with the New Accounting Standards for Financial Instruments
Financial assets measured at amortised cost –				
Provision for impairment of notes receivable and accounts receivable	757,177	–	79,611	836,788
Provision for impairment of other receivables	396,543	–	61,228	457,771
Provision for impairment of long-term receivables	864,992	–	36,734	901,726
Financial assets at fair value through other comprehensive income –				
Provision for impairment of available-for-sale financial assets	3,065	(3,065)	–	–
Provision for impairment of contract assets	<u>–</u>	<u>32,714</u>	<u>–</u>	<u>32,714</u>
Total	<u>2,021,777</u>	<u>29,649</u>	<u>177,573</u>	<u>2,228,999</u>

- (iv) As a result of the implementation of the New Accounting Standards for Financial Instruments, the Group has adjusted deferred tax assets to RMB12.935 million accordingly. The adjustment has led to an increase in equity attributable to shareholders of the parent company in the consolidated financial statements of the Group by RMB314.514 million, of which undistributed profits decreased by RMB141.781 million, other comprehensive income increased by RMB456.295 million and minority interest decreased by RMB22.858 million.

(3) *Format for Financial Statements*

The Group prepared its financial statements for the six-month period ended 30 June 2018 pursuant to the Notice on the Revision of the Format for issuing 2018 General Enterprise Financial Statements (Cai Kuai [2018] No.15) promulgated by the MOF in 2018. The comparative financial statements have been adjusted accordingly and the impacts of which are as follows:

Changes in accounting policy and reasons thereof	Name of affected item in the financial statements	Affected amount	
		31 December 2017	1 January 2017
The Group consolidated notes receivable and accounts receivable and recognised them in notes receivable and accounts receivable.	Notes receivable	(1,376,864)	(1,536,191)
	Accounts receivable	(16,396,726)	(11,526,075)
	Notes receivable and	17,773,590	13,062,266
	accounts receivable		
The Group consolidated interests receivable, dividend receivable and other receivables and recognised them in other receivables.	Interests receivable	(19,092)	(9,250)
	Dividend receivable	(4,408)	(41,959)
	Other receivables	23,500	51,209
The Group consolidated fixed assets and disposal of fixed assets and recognised them in fixed assets.	Fixed assets	147,661	130,050
	Disposal of fixed assets	(147,661)	(130,050)
The Group consolidated notes payable and accounts payable and recognised them in notes payable and accounts payable.	Accounts payable	(12,216,311)	(10,160,951)
	Notes payable	(1,785,456)	(1,551,582)
	Notes payable and accounts payable	14,001,767	11,712,533
The Group consolidated interest payable, dividend payable and other payables and recognised them in other payables.	Interest payable	(377,793)	(303,375)
	Dividend payable	(254,434)	(16,746)
	Other payables	632,227	320,121
The Group consolidated long-term payable and payables for specific projects and recognised them in long-term payable.	Long-term payable	14,127	9,704
	Payables for specific projects	(14,127)	(9,704)

Changes in accounting policy and reasons thereof	Name of affected item in the financial statements	Affected amount Six-month period ended 30 June 2017
The Group listed research and development expenses independently, which was originally recognised in general and administrative expenses.	Research and development expenses	288,459
	General and administrative expenses	(288,459)

11.3 Contents, Amount Corrected, Reason and Impact of Material Accounting Errors during the Reporting Period

☐ Applicable ☒ Not applicable

11.4 Explanation for Change in Consolidated Scope Compared with the Financial Report of the Previous Year

- (1) There was no major business combination involving enterprises not under common control in the Group during the Reporting Period.
- (2) There was no loss of control of subsidiaries by disposal of equity interests in the Group during the Reporting Period.

11.5 Statements of the Board and the Supervisory Committee on the “Non-Standard Auditing Report” issued by the Accountant

☐ Applicable ☒ Not applicable

11.6 Financial Statements Prepared in Accordance with CASBE

11.6.1 Consolidated Balance Sheet (unaudited)

Unit: RMB thousand

Item	Note	30 June 2018	31 December 2017	1 January 2017
Cash at bank and on hand		5,077,690	5,596,314	6,325,998
Financial assets held for trading		205,580	183,303	138,072
Derivative financial assets		7,645	11,577	3,088
Notes receivable and accounts receivable	3	20,100,651	17,773,590	13,062,266
Advances to suppliers		3,109,220	2,147,721	2,165,982
Other receivables		8,738,693	8,283,236	9,399,096
Inventories		20,027,718	19,258,327	17,409,515
Contract assets		1,534,133	—	—
Assets held for sale		197,874	235,309	203,847
Current portion of non-current assets		4,115,494	4,314,250	3,941,689
Other current assets		999,688	1,198,296	702,478
Total current assets		64,114,386	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
Other debt investments		29,620	—	—
Long-term receivables		13,715,337	12,880,540	13,220,242
Long-term equity investments		2,450,699	2,398,495	2,162,217
Investments in other equity instruments		1,010,240	—	—
Other non-current financial assets		424,154	—	—
Investment properties		1,681,270	1,679,189	1,752,608
Fixed assets		22,836,076	23,088,682	22,167,311
Construction in progress		23,466,394	22,194,585	22,769,189
Intangible assets		4,620,905	4,711,244	4,654,757
Development costs		80,469	67,399	49,990
Goodwill		2,105,268	2,112,445	2,127,893
Long-term prepaid expenses		242,813	205,239	246,574
Deferred tax assets		1,459,102	1,416,637	1,257,670
Other non-current assets		31,626	87,886	86,353
Total non-current assets		74,153,973	71,602,456	71,262,717
Total assets		138,268,359	130,604,379	124,614,748

11.6.1 Consolidated Balance Sheet (unaudited) (Continued)

Unit: RMB thousand

Item	Note	30 June 2018	31 December 2017	1 January 2017
Liabilities and shareholders' equity				
Current liabilities:				
Short-term borrowings		21,803,302	15,317,347	15,729,787
Derivative financial liabilities		165,647	3,025	141,806
Notes payable and accounts payable	4	14,791,978	14,001,767	11,712,533
Advances from customers		–	4,624,088	3,780,694
Contract liabilities		5,169,120	–	–
Employee benefits payable		2,483,816	2,713,482	2,115,108
Taxes payable		1,202,339	1,363,986	1,092,030
Other payables		8,384,372	7,486,768	5,474,194
Liabilities held for sale		–	14,906	–
Current portion of non-current liabilities		3,385,098	4,085,579	3,667,872
Other current liabilities		1,015,204	595,907	1,687,762
Total current liabilities		58,400,876	50,206,855	45,401,786
Non-current liabilities:				
Long-term borrowings		24,696,783	24,140,168	27,023,222
Debentures payable		7,986,500	7,986,500	7,986,500
Including: Perpetual bonds		1,986,500	1,986,500	1,986,500
Long-term payables		311,130	361,396	539,076
Provisions		1,248,939	1,214,904	847,429
Deferred income		854,763	846,232	839,738
Deferred tax liabilities		810,039	801,337	657,414
Other non-current liabilities		2,313,288	1,809,553	2,184,791
Total non-current liabilities		38,221,442	37,160,090	40,078,170
Total liabilities		96,622,318	87,366,945	85,479,956
Shareholders' equity:				
Share capital		2,984,956	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		4,249,151	4,209,663	3,126,585
Other comprehensive income		453,021	219,303	357,341
Surplus reserve		3,281,535	3,281,535	3,279,379
Undistributed profits	5	19,694,345	19,734,494	17,495,053
Total equity attributable to shareholders and other equity holders of the parent company		30,663,008	32,460,927	29,285,970
Minority interests		10,983,033	10,776,507	9,848,822
Total shareholders' equity		41,646,041	43,237,434	39,134,792
Total liabilities and shareholders' equity		138,268,359	130,604,379	124,614,748

11.6.2 Balance Sheet of the Company (unaudited)

Unit: RMB thousand

Item	30 June 2018	31 December 2017	1 January 2017
Assets			
Current assets:			
Cash at bank and on hand	1,614,782	1,366,876	2,660,222
Other receivables	19,208,880	18,115,511	17,887,234
Other current assets	2,255	5,771	9,272
Total current assets	20,825,917	19,488,158	20,556,728
Non-current assets:			
Available-for-sale financial assets	–	388,905	388,905
Long-term equity investments	10,491,588	9,583,886	9,375,276
Investments in other equity instruments	804,900	–	–
Fixed assets	141,479	144,248	102,372
Construction in progress	66,915	56,326	844
Intangible assets	14,078	14,207	144,466
Long-term prepaid expenses	24,427	29,627	40,730
Deferred tax assets	71,769	73,140	52,280
Total non-current assets	11,615,156	10,290,339	9,974,873
Total assets	32,441,073	29,778,497	30,531,601

11.6.2 Balance Sheet of the Company (unaudited) (Continued)

Unit: RMB thousand

Item	30 June 2018	31 December 2017	1 January 2017
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	3,675,000	350,000	2,710,000
Derivative financial liabilities	101	614	65
Employee benefits payable	286,974	291,949	205,760
Taxes payable	8,196	3,094	3,646
Other payables	4,158,309	4,739,876	3,066,559
Provisions	102,524	102,524	79,104
Current portion of non-current liabilities	400,000	1,095,000	800,000
Other current liabilities	100,000	—	—
Total current liabilities	9,631,104	6,583,057	6,865,134
Non-current liabilities:			
Long-term borrowings	2,358,000	1,322,000	1,621,000
Debentures payable	7,986,500	7,986,500	7,986,500
Including: perpetual bonds	1,986,500	1,986,500	1,986,500
Deferred income	21,304	25,171	37,429
Other non-current liabilities	—	—	3,296
Total non-current liabilities	10,365,804	9,333,671	9,648,225
Total liabilities	19,996,908	15,916,728	16,513,359
Shareholders' equity:			
Share capital	2,984,956	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	3,336,904	3,330,895	3,287,149
Other comprehensive income	459,749	43,754	43,754
Surplus reserve	3,281,535	3,281,535	3,279,379
Undistributed profits	2,381,021	2,189,653	2,380,348
Total shareholders' equity	12,444,165	13,861,769	14,081,242
Total liabilities and shareholders' equity	32,441,073	29,778,497	30,531,601

11.6.3 Consolidated Income Statement (unaudited)

Unit: RMB thousand

Item	Note	January – June 2018	January – June 2017
I. Revenue	6	43,560,398	33,387,152
Less: Cost of sales	6	37,552,731	27,241,564
Taxes and surcharges		229,957	216,183
Sales expenses		1,382,057	1,256,253
General and administrative expenses		2,072,524	2,079,580
Research and development expenses		327,229	288,459
Financial expenses-net		392,524	594,251
Including: Interest expense		634,106	522,265
Interest income		(222,248)	(117,661)
Assets impairment losses	7	9,753	4,688
Credit impairment losses	7	74,812	229,749
Add: Other income		120,979	91,032
Investment income		195,771	(10,628)
Including: Share of investment income of associates and joint ventures		25,375	2,538
Profit arising from changes in fair value		(44,497)	(32,626)
Gains on disposals of assets		37,319	13,739
II. Operating profit		1,828,383	1,537,942
Add: Non-operating income	8	21,893	53,216
Less: Non-operating expenses		20,465	15,016
III. Total profit		1,829,811	1,576,142
Less: Income tax expenses	9	513,854	509,633
IV. Net profit		1,315,957	1,066,509
Classified by business continuity			
Net profit from continuing operations		1,315,957	1,066,509
Net profit from discontinued operations		–	–
Classified by ownership			
Net profit attributable to shareholders and other equity holders of the parent company		965,397	796,898
Minority profit or loss	10	350,560	269,611

11.6.3 Consolidated Income Statement (unaudited) (Continued)

Unit: RMB thousand

Item	Note	January – June 2018	January – June 2017
V. Other comprehensive income/(loss), net of tax		(210,489)	81,627
Attributable to shareholders and other equity holders of the parent company		(222,577)	72,424
(I) Items that may not be reclassified to profit or loss		(50,744)	–
Changes in fair value of other investments in equity instruments		(50,744)	–
(II) Items that may be reclassified to profit or loss		(171,833)	72,424
Changes in fair value of other debt investments		1,065	–
Gains or losses from changes in fair value of available-for-sale financial assets		–	(241)
Cash flow hedge reserve		(2,504)	6,072
Currency translation differences		(170,394)	66,593
Minority interests		12,088	9,203
VI. Total comprehensive income		1,105,468	1,148,136
Attributable to shareholders and other equity holders of the parent company		742,820	869,322
Minority interests		362,648	278,814
VII. Earnings per share			
(I) Basic earnings per share (RMB)	11	0.3061	0.2554
(II) Diluted earnings per share (RMB)	11	0.3038	0.2544

11.6.4 Income Statement of the Company (unaudited)

Unit: RMB thousand

Item	January – June 2018	January – June 2017
I. Revenue	159,174	96,917
Less: Cost of sales	–	1,452
Taxes and surcharges	2,581	–
General and administrative expenses	130,539	129,167
Financial expenses-net	93,762	296,143
Including: Interest expense	235,069	250,631
Interest income	(105,426)	(162,503)
Add: Other income	6,587	2,211
Investment income	1,084,269	359,040
Profit or loss arising from changes in fair value	513	1,623
Gains on disposals of assets	26,594	–
II. Operating profit	1,050,255	33,029
Add: Non-operating income	917	21
Less: Non-operating expenses	–	1,746
III. Total profit	1,051,172	31,304
Less: Income tax expenses	1,372	2,644
IV. Net profit	1,049,800	28,660
Classified by business continuity		
Net profit from continuing operations	1,049,800	28,660
Net profit from discontinued operations		
V. Other comprehensive income/(loss), net of tax	–	–
VI. Total comprehensive income	1,049,800	28,660

11.6.5 Consolidated Cash Flow Statement (unaudited)

Unit: RMB thousand

Item	January – June 2018	January – June 2017
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	44,450,122	32,885,118
Refund of taxes and surcharges	1,947,132	1,044,746
Cash received relating to other operating activities	364,782	709,660
Sub-total of cash inflows from operating activities	46,762,036	34,639,524
Cash paid for goods and services	41,130,726	29,731,503
Cash paid to and on behalf of employees	3,283,595	3,003,021
Payments of taxes and surcharges	1,393,114	1,050,104
Cash paid relating to other operating activities	1,810,840	1,523,112
Sub-total of cash outflows from operating activities	47,618,275	35,307,740
Net cash flows from operating activities	(856,239)	(668,216)
II. Cash flows from investing activities:		
Cash received from disposal of investments	962,656	600
Cash received from returns on investments	51,338	21,903
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	51,228	37,940
Net cash received from disposal of subsidiaries	126,743	–
Sub-total of cash inflows from investing activities	1,191,965	60,443
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,895,414	1,421,152
Cash paid to acquire investments	802,196	142,020
Net cash paid for acquisition of subsidiaries	19,729	5,000
Cash paid relating to other investing activities	752,134	–
Sub-total of cash outflows from investing activities	3,469,473	1,568,172
Net cash flows from investing activities	(2,277,508)	(1,507,729)

11.6.5 Consolidated Cash Flow Statement (unaudited) (Continued)

Unit: RMB thousand

Item	January – June 2018	January – June 2017
III. Cash flows from financing activities:		
Cash received from capital contributions	72,031	33,776
Including: Cash received from capital contributions by minority shareholders of subsidiaries	30,312	25,618
Cash received from borrowings	28,140,054	28,533,395
Cash received relating to other financing activities	81,032	4,506
Sub-total of cash inflows from financing activities	28,293,117	28,571,677
Cash repayments of borrowings	22,228,750	25,735,139
Cash repayments for perpetual bonds	2,000,000	–
Cash payments for interest expenses or distribution of dividends or profits	1,319,124	879,262
Cash payments relating to other financing activities	–	81,616
Sub-total of cash outflows from financing activities	25,547,874	26,696,017
Net cash flows from financing activities	2,745,243	1,875,660
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(411,327)	(97,959)
V. Net increase/(decrease) in cash and cash equivalents	(799,831)	(398,244)
Add: Balance of cash and cash equivalents at the beginning of the year	5,442,857	6,338,667
VI. Closing balance of cash and cash equivalents	4,643,026	5,940,423

11.6.6 Cash Flow Statement of the Company (unaudited)

Unit: RMB thousand

Item	January – June 2018	January – June 2017
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	160,860	92,944
Cash received relating to other operating activities	7,807,370	2,750,305
Sub-total of cash inflows from operating activities	7,968,230	2,843,249
Cash paid to and on behalf of employees	61,952	53,410
Payments of taxes and surcharges	30,518	13,625
Cash paid relating to other operating activities	10,749,157	4,157,049
Sub-total of cash outflows from operating activities	10,841,627	4,224,084
Net cash inflows from operating activities	(2,873,397)	(1,380,835)
II. Cash flows from investing activities:		
Cash received from disposal of investments	706,933	6,800,000
Cash received from returns on investments	366,350	275,133
Net cash received from disposal of fixed assets	14,485	–
Net cash received from disposal of subsidiaries	40,000	–
Sub-total of cash inflows from investing activities	1,127,768	7,075,133
Cash paid to acquire fixed assets and other long-term assets	12,911	24,944
Cash paid to acquire investments	500,000	6,886,616
Sub-total of cash outflows from investing activities	512,911	6,911,560
Net cash flows from investing activities	614,857	163,573

11.6.6 Cash Flow Statement of the Company (unaudited) (Continued)

Unit: RMB thousand

Item	January – June 2018	January – June 2017
III. Cash flows from financing activities		
Cash received from capital contributions	41,719	8,158
Cash received from borrowings	5,517,000	4,070,000
Sub-total of cash inflows from financing activities	5,558,719	4,078,158
Cash repayments of borrowings	2,851,000	3,720,000
Cash payments for interest expenses or distribution of dividends or profits	200,852	152,617
Cash payments relating to other financing activities	745	–
Sub-total of cash outflows from financing activities	3,052,597	3,872,617
Net cash flows from financing activities	2,506,122	205,541
IV. Effect of foreign exchange rate changes on cash and cash equivalents	5,437	(3,909)
V. Net increase in cash and cash equivalents	253,019	(1,015,630)
Add: Balance of cash and cash equivalents at the beginning of the year	335,730	1,715,470
VI. Closing balance of cash and cash equivalents	588,749	699,840

11.6.7 Consolidated Statement of Changes in Shareholders' Equity (unaudited)

Unit: RMB thousand

Item	January – June 2018								2017							
	Attributable to shareholders and other equity holders of the Company								Attributable to shareholders and other equity holders of the Company							
	Share capital	Other equity instruments	Capital surplus	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 as 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
Add: Changes in accounting policies	-	-	-	456,295	-	(147,114)	(25,084)	284,097	-	-	-	-	-	-	-	-
II. Balance as at 1 January 2018	2,982,889	2,033,043	4,209,663	675,598	3,281,535	19,587,380	10,751,423	43,521,531	2,978,577	2,049,035	3,126,585	357,341	3,279,379	17,495,053	9,848,822	39,134,792
III. Movements for the period																
(I) Total comprehensive income																
1. Net profit	-	51,900	-	-	-	913,497	350,560	1,315,957	-	87,808	-	-	-	2,421,434	649,173	3,158,415
2. Other comprehensive income	-	-	-	(222,577)	-	-	12,088	(210,489)	-	-	-	(138,038)	-	-	(57,760)	(195,798)
Sub-total 1&2	-	51,900	-	(222,577)	-	913,497	362,648	1,105,468	-	87,808	-	(138,038)	-	2,421,434	591,413	2,962,617
(II) Capital contribution and withdrawal by owners																
1. Increase in capital surplus resulted from share option exercised by company	2,067	-	24,866	-	-	-	-	26,933	4,312	-	43,746	-	-	-	-	48,058
2. Contribution by minority shareholders	-	-	-	-	-	-	46,139	46,139	-	-	1,001,904	-	-	-	985,173	1,987,077
3. Increase in minority interests resulted from acquisition or establishment of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Increase/(decrease) in capital surplus resulting from acquisition of minority interests of subsidiaries	-	-	-	-	-	-	7,967	7,967	-	-	-	-	-	-	108,352	108,352
5. Disposal of subsidiaries (without loss of control)	-	-	2,212	-	-	-	(23,692)	(21,480)	-	-	(64,337)	-	-	-	(117,606)	(181,943)
6. Disposal of subsidiaries (loss of control)	-	-	28,976	-	-	-	57,178	86,154	-	-	89,021	-	-	-	(28,391)	60,630
7. Increase in capital resulting from the exercise of share options by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Increase in shareholders' equity resulting from share-based payments	-	-	(1,411)	-	-	-	19,753	18,342	-	-	(799)	-	-	-	17,273	16,474
9. Redemption of other equity instruments	-	-	2,164	-	-	-	2,271	4,435	-	-	10,789	-	-	-	5,535	16,324
10. Recognition of the buyback options granted to minority shareholders	-	(1,981,143)	(18,857)	-	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-
11. Other comprehensive income charged to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Others	-	-	1,538	-	-	-	-	1,538	-	-	2,754	-	-	-	-	2,754
(III) Profit distribution																
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	2,156	(2,156)	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(806,532)	(240,654)	(1,047,186)	-	-	-	-	-	(179,837)	(634,064)	(813,901)
3. Interest paid on other equity instruments	-	(103,800)	-	-	-	-	-	(103,800)	-	(103,800)	-	-	-	-	-	(103,800)
IV. Balance as at 30 June 2018	2,984,956	-	4,249,151	453,021	3,281,535	19,694,345	10,983,033	41,646,041	2,982,889	2,033,043	4,209,663	219,303	3,281,535	19,734,494	10,776,507	43,237,434

11.6.8 Statement of Changes in Shareholders' Equity of the Company (unaudited)

Unit: RMB thousand

	January-June 2018						2017				Total			
	Other equity instruments		Capital surplus	comprehensive income	Surplus reserve	Undistributed profits	shareholders' equity	Share capital	Other equity instruments	Capital surplus	comprehensive income	Surplus reserve	Undistributed profits	shareholders' equity
I. Balance as 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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at 1 January 2018	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
III. Movements for the period														
(I) Total comprehensive income														
Net profit	-	51,900	-	-	-	997,900	1,049,800	-	87,808	-	-	-	(8,702)	79,106
Other comprehensive income	-	-	-	415,995	-	-	415,995	-	-	-	-	-	-	-
Total comprehensive income	-	51,900	-	415,995	-	997,900	1,465,795	-	87,808	-	-	-	(8,702)	79,106
(II) Capital contribution and withdrawal by owners														
Contribution by holders of other equity instruments	-	(1,981,143)	(18,857)	-	-	-	(2,000,000)	-	-	-	-	-	-	-
Increase in capital surplus resulted from share option exercised by company	2,067	-	24,866	-	-	-	26,933	4,312	-	43,746	-	-	-	48,058
(III) Profit distribution														
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	2,156	(2,156)	-
Profit distribution to shareholders	-	-	-	-	-	(806,532)	(806,532)	-	-	-	-	-	(179,837)	(179,837)
Interest paid on other equity instruments	-	(103,800)	-	-	-	-	(103,800)	-	(103,800)	-	-	-	-	(103,800)
IV. Balance as at 30 June 2018	2,984,956	-	3,336,904	459,749	3,281,535	2,381,021	12,444,165	2,982,889	2,033,043	3,330,895	43,754	3,281,535	2,189,653	13,861,769

NOTES:

1. PREPARATION BASIS

The financial statements were prepared in accordance with the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the specific accounting standards and the relevant regulations issued thereafter 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.

2. STATEMENT REGARDING COMPLIANCE WITH CASBE

The Company's financial statements for the period from 1 January 2018 to 30 June 2018 are prepared in accordance with the requirements of CASBE, and truly and completely present the consolidated and corporate financial position of the Company as at 30 June 2018 and other related information including the consolidated and corporate operating results and cash flows during January to June 2018.

3. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

Unit: RMB thousand

	30 June 2018	31 December 2017
Notes receivable (a)	1,357,684	1,376,864
Accounts receivable (b)	18,742,967	16,396,726
	<u>20,100,651</u>	<u>17,773,590</u>

(a) Notes receivable

	30 June 2018	31 December 2017
Trade acceptance notes	1,251,599	1,241,308
Bank acceptance notes	106,085	135,556
Less: Provision for bad debts	—	—
	<u>1,357,684</u>	<u>1,376,864</u>

(i) As at 30 June 2018, pledged notes receivable of the Group are as follows:

Bank acceptance notes	<u>71,549</u>
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(b) Accounts receivable

	30 June 2018	31 December 2017
Accounts receivable	19,584,173	17,153,903
Less: Provision for bad debts	(841,206)	(757,177)
	<u>18,742,967</u>	<u>16,396,726</u>

- (i) As at 30 June 2018, the combined analysis of the top five accounts receivable balances collected based on default parties is as follows:

	Balance	Amount of provision for bad debts	Total percentage in the balance of accounts receivable
Total amount of the top five accounts receivable balances	<u>3,726,982</u>	<u>—</u>	<u>19.03%</u>

- (ii) Accounts receivable derecognised due to transfer of financial assets are as follows:

From January to June 2018, the Group did not have accounts receivable derecognised due to transfer of financial assets (from January to June 2017: Nil).

(c) Provision for bad debts

	30 June 2018	31 December 2017
Provision for bad debts in notes receivable	—	—
Provision for bad debts in accounts receivable	<u>841,206</u>	<u>757,177</u>
	<u>841,206</u>	<u>757,177</u>

- (i) As at 30 June 2018, the analysis of notes receivable and accounts receivable of individually impaired provision for bad debts is as follows:

	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reasons thereof
Container	840,780	14.47%	121,660	Loss provision recognised according to the amount of lifetime expected credit losses
Road transportation vehicle	1,461,944	6.22%	90,883	
Energy, chemical and liquid food equipment	291,864	34.70%	101,276	
Offshore engineering	501,872	0.24%	1,188	
Airport facilities equipment	493,831	4.94%	24,413	
Logistics services	288,991	3.28%	9,476	
Heavy trucks	781,843	4.95%	38,715	
Finance	311,985	3.46%	10,785	
Others	<u>378,136</u>	<u>9.53%</u>	<u>36,022</u>	
	<u>5,351,246</u>	<u>8.12%</u>	<u>434,418</u>	

- (ii) As at 30 June 2018, the analysis of notes receivable and accounts receivable of collectively impaired provision for bad debts is as follows:

Combined items – Bank acceptance notes:

As at 30 June 2018, the Group measured provision for bad debts based on the lifetime expected credit losses. The Group considers that the bank acceptance notes do not have significant credit risks and will not cause significant losses due to bank default.

Combined items – Container:

	Book balance	30 June 2018 Provision for bad debts Lifetime expected credit loss rate	Amount
	Amount		
Not overdue	5,962,423	–	–
Overdue for 1-30 days	699,847	–	–
Overdue for 31-90 days	100,876	0.01%	7
Overdue for over 90 days	328,898	7.87%	25,890
	<u>7,092,044</u>		<u>25,897</u>

Combined items – Road transportation vehicle:

	Book balance	30 June 2018 Provision for bad debts Lifetime expected credit loss rate	Amount
	Amount		
Not overdue	1,115,570	–	–
Overdue for 1-30 days	111,024	3.34%	3,709
Overdue for 31-90 days	25,158	11.27%	2,836
Overdue for over 90 days	170,434	43.31%	73,808
	<u>1,422,186</u>		<u>80,353</u>

Combined items – Energy, chemical and liquid food equipment

	Book balance	30 June 2018 Provision for bad debts Lifetime expected credit loss rate	Amount
	Amount		
Not overdue	1,825,119	–	–
Overdue for 1-30 days	336,524	2.95%	9,918
Overdue for 31-90 days	116,746	3.09%	3,611
Overdue for over 90 days	593,990	22.49%	133,559
	<u>2,872,379</u>		<u>147,088</u>

Combined items – Offshore engineering:

	Book balance	30 June 2018	Provision for bad debts
		Lifetime	
	Amount	expected credit	Amount
		loss rate	
Not overdue	17,631	–	–
Overdue for 1-30 days	–	–	–
Overdue for 31-90 days	–	–	–
Overdue for over 90 days	–	–	–
	<u>17,631</u>		<u>–</u>
	<u>17,631</u>		<u>–</u>

Combined items – Airport facilities equipment:

	Book balance	30 June 2018	Provision for bad debts
		Lifetime	
	Amount	expected credit	Amount
		loss rate	
Not overdue	555,512	–	–
Overdue for 1-30 days	–	–	–
Overdue for 31-90 days	18,236	–	–
Overdue for over 90 days	301,441	17.05%	51,399
	<u>875,189</u>		<u>51,399</u>
	<u>875,189</u>		<u>51,399</u>

Combined items – Logistics services:

	Book balance	30 June 2018	Provision for bad debts
		Lifetime	
	Amount	expected credit	Amount
		loss rate	
Not overdue	941,121	–	–
Overdue for 1-30 days	34,457	4.88%	1,682
Overdue for 31-90 days	23,969	4.76%	1,141
Overdue for over 90 days	86,170	57.14%	49,234
	<u>1,085,717</u>		<u>52,057</u>
	<u>1,085,717</u>		<u>52,057</u>

Combined items – Heavy trucks:

	Book balance	30 June 2018 Provision for bad debts Lifetime expected credit loss rate	Amount
	Amount		Amount
Not overdue	292,211	–	–
Overdue for 1-30 days	230,240	16.43%	37,830
Overdue for 31-90 days	2,583	50.02%	1,292
Overdue for over 90 days	11,445	82.87%	9,484
	<u>536,479</u>		<u>48,606</u>

Combined items – Others:

	Book balance	30 June 2018 Provision for bad debts Lifetime expected credit loss rate	Amount
	Amount		Amount
Not overdue	277,569	–	–
Overdue for 1-30 days	1,317	8.73%	115
Overdue for 31-90 days	–	–	–
Overdue for over 90 days	52,416	2.43%	1,273
	<u>331,302</u>		<u>1,388</u>

- (iii) From January to June 2018, the Group's provision for bad debts amounted to RMB42,037,000 (from January to June 2017: RMB79,347,000), of which the provisions for bad debts collected or reversed was RMB36,072,000 (from January to June 2017: RMB53,359,000).
- (d) *From January to June 2018, the Group's accounts receivable actually written off amounted to RMB985,000 (from January to June 2017: RMB9,312,000)*

4. NOTES PAYABLE AND ACCOUNTS PAYABLE

(1) Notes payable and accounts payable are as follows:

Unit: RMB thousand

	30 June 2018	31 December 2017
Notes payable (a)	1,657,907	1,785,456
Accounts payable (b)	13,134,071	12,216,311
Total	14,791,978	14,001,767

(a) Notes payable

	30 June 2018	31 December 2017
Bank acceptance notes	982,673	1,331,106
Trade acceptance notes	675,234	454,350
Total	1,657,907	1,785,456

(b) Accounts payable

Unit: RMB thousand

Item	30 June 2018	31 December 2017
Due to raw materials suppliers	11,322,547	10,124,956
Due to integrated logistics service providers	621,072	559,737
Due to engineering contractors	400,171	341,552
Due to engineering suppliers	124,922	387,357
Due to equipment suppliers	388,731	579,407
Transportation fees	92,205	81,816
Processing fees	79,818	43,661
Others	104,605	97,825
Total	13,134,071	12,216,311

The ageing of accounts payable is analysed as follows:

Unit: RMB thousand

Item	30 June 2018	31 December 2017
Within 1 year (inclusive)	12,589,779	11,538,059
1 to 2 years (inclusive)	160,611	313,282
2 to 3 years (inclusive)	154,099	157,749
Over 3 years	229,582	207,221
Total	13,134,071	12,216,311

As at 30 June 2018, accounts payable over 1 year amounting to RMB544,292,000 (31 December 2017: RMB678,252,000) are mainly payables of the Group 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.

- (2) There was no accounts payable owed to shareholders holding more than 5% (including 5%) of the voting rights of the Company at the end of the period.

5. UNDISTRIBUTED PROFITS

Unit: RMB thousand

Item	Note	January-June 2018	2017
Undistributed profits at the beginning of the year		19,734,494	17,495,053
Impact from changes in accounting policies		(147,114)	—
Undistributed profits at the beginning of the year		19,587,380	17,495,053
Add: Net profit attributable to shareholders and other equity holders of the parent company for the current period		965,397	2,509,242
Less: Effect of issue of perpetual bonds by the Company		(51,900)	(87,808)
Less: Appropriation to surplus reserve		—	(2,156)
Less: Ordinary share dividend payable	(1)	(806,532)	(179,837)
Undistributed profits at the end of the period		19,694,345	19,734,494

(1) Dividends of ordinary shares declared during the period

Unit: RMB thousand

	30 June 2018	31 December 2017
Dividends proposed but not declared at the end of the period	806,532	—
Total proposed dividends during the period	—	179,837

In accordance with the approval at the shareholders' general meeting held on 8 June 2018, the Company paid cash dividends for 2017 in the amount of RMB0.27 per share (2017: paid cash dividends for 2016 in the amount of RMB0.06 per share) to the ordinary shareholders on 20 July 2018, totalling RMB806,532,000 (2017: paid cash dividends for 2016 totalling RMB179,837,000).

6. REVENUE AND COST OF SALES

Unit: RMB thousand

Item	January-June 2018	January-June 2017
Revenue from principal operations	42,561,350	32,656,928
Revenue from other operations	999,048	730,224
Total	<u>43,560,398</u>	<u>33,387,152</u>
Cost of sales from principal operations	37,052,230	26,911,617
Cost of sales from other operations	500,501	329,947
Total	<u>37,552,731</u>	<u>27,241,564</u>

Among the construction contracts of the Group, there was no individual contract whose revenue recognised during the period amounted to more than 10% of the total revenue.

7. ASSET IMPAIRMENT LOSSES AND CREDIT LOSSES

Unit: RMB thousand

	January-June 2018	January-June 2017
Credit Losses		
Notes receivable and accounts receivable	5,965	25,988
Other receivables	29,147	141,923
Long-term receivables	35,386	61,838
Contract assets	4,314	—
Sub-total	<u>74,812</u>	<u>229,749</u>
Assets Impairment Losses		
Prepaid expenses	311	6,675
Decline in the value of inventories and contractual performance costs	5,281	(3,521)
Long-term equity investments	2,070	—
Fixed assets	4	1,534
Goodwill	2,087	—
Sub-total	<u>9,753</u>	<u>4,688</u>
Total	<u>84,565</u>	<u>234,437</u>

8. NON-OPERATING INCOME

Non-operating income by categories:

Unit: RMB thousand

	January-June 2018	January-June 2017	Amount recognised in non-recurring profit or loss in January-June 2018
Unpayable payables	2,344	2,694	2,344
Compensation income	1,301	5,868	1,301
Penalty income	4,191	7,348	4,191
Others	14,057	37,306	14,057
Total	<u>21,893</u>	<u>53,216</u>	<u>21,893</u>

9. INCOME TAX EXPENSES

Unit: RMB thousand

Item	January-June 2018	January-June 2017
Current income tax calculated based on tax law and related regulations	547,793	499,609
Movements in deferred income tax	<u>(33,939)</u>	<u>10,024</u>
Total	<u>513,854</u>	<u>509,633</u>

Reconciliation between income tax expenses and accounting profits is as follows:

Unit: RMB thousand

Item	January-June 2018	January-June 2017
Profit before income tax	1,829,811	1,576,142
Income tax calculated at applicable tax rates	451,757	395,233
Effect of tax incentive	(78,348)	(63,499)
Expenses not deductible for tax purposes	13,606	20,714
Income not subject to tax	(76,982)	(90,621)
Tax effect of utilisation of previously unrecognised tax losses on deferred tax assets for the period	(21,020)	(5,941)
Unrecognised tax losses	168,984	112,902
Tax effect of utilisation of deductible temporary differences of previously unrecognised deferred tax assets	58,317	142,126
Effect of tax rate change on deferred tax	(1,307)	(735)
Tax refund for income tax annual filing	<u>(1,153)</u>	<u>(546)</u>
Income tax expenses	<u>513,854</u>	<u>509,633</u>

10. MINORITY PROFIT OR LOSS

During the Reporting Period, the Group's minority profit recorded RMB350.560 million (same period in 2017: profit of RMB269.611 million).

11. 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:

Unit: RMB thousand

	January-June 2018	January-June 2017
Consolidated net profit attributable to ordinary shareholders of the Company and other equity holders	965,397	796,898
Effect of issue of perpetual bonds by the Company	(51,900)	(35,908)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	913,497	760,990
Weighted average number of ordinary shares outstanding of the Company ('000)	2,984,385	2,979,059
Basic earnings per share (RMB per share)	0.3061	0.2554
Including: continuously operating basic earnings per share	0.3061	0.2554

(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:

Unit: RMB thousand

	January-June 2018	January-June 2017
Consolidated net profit attributable to ordinary shareholders of the Company and other equity holders	965,397	796,898
Effect of issue of perpetual bonds by the Company	(51,900)	(35,908)
Effect of the share-based payment plan of the Company's subsidiaries	(4,113)	(1,371)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	909,384	759,619
Weighted average number of ordinary shares outstanding of the Company (diluted) ('000) (adjusted)	2,993,179	2,986,410
Diluted earnings per share (RMB per share)	0.3038	0.2544

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

	January-June 2018	January-June 2017
Weighted average number of ordinary shares outstanding of the Company ('000)	2,984,385	2,979,059
Effect of share options of the Company ('000)	8,794	7,351
Weighted average number of ordinary shares outstanding of the Company (diluted) ('000)	2,993,179	2,986,410

The Board of the Company was authorised to grant 60,000,000 share options (2.01% of the 2,984,384,669 shares issued by the Company at the end of the current period) to the senior management and other staff of the Company.

12. DIVIDENDS

The Directors did not propose to declare the interim dividend for the six months ended 30 June 2018 (same period in 2017: Nil).

13. SEGMENT REPORTING

In accordance with the Group's internal organisation structure, management requirement and internal reporting process, nine reportable segments are identified by the Group including: container, road transportation vehicle, energy, chemical and liquid food equipment, offshore engineering business, airport facilities equipment, logistics service, finance, industrial city development and heavy truck businesses. Each reportable segment is an independent business segment providing different products and services. Independent management is applied to individual business segments as different technical and market strategies are adopted. The Group reviews the financial information of individual business segments regularly to determine resource allocation and performance assessment.

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 of each segment, 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 revenue and inter-segment revenue), offsetting segment expenses, depreciation and amortisation and impairment losses attributable to assets of each segment, net interest expenditure generated from bank deposits and bank borrowings attributable to each segment. Transactions conducted among segments are under similar non-related party transaction commercial terms.

Segment information as at and for the six months ended 30 June 2018 is as follows:

Unit: RMB thousand

Item	Container	Road transportation vehicle	Energy, chemical and food equipment	Offshore engineering	Airport facilities equipment	Logistics service and equipment	Finance	Industrial city development	Heavy truck	Others	Elimination between segments	Total
	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018	January-June 2018
External transaction revenue	15,764,844	11,390,058	6,139,092	657,297	1,749,181	4,026,556	1,048,934	159,037	1,563,850	1,061,549	–	43,560,398
Inter-segment transaction revenue	329,302	139,403	46,588	130,893	–	36,060	–	918	56,256	1,075,039	(1,814,459)	–
Cost of sales from main operations	14,276,958	9,681,145	4,981,095	768,146	1,361,623	3,683,847	604,527	90,704	1,475,869	1,759,910	(1,631,594)	37,052,230
Investment income/(losses) in associates and joint ventures	–	893	(57)	–	(921)	13,043	(10)	–	13,096	(669)	–	25,375
Asset impairment losses	(80)	(6,558)	6,473	13,723	557	5	–	(4,367)	–	–	–	9,753
Depreciation and amortisation expenses	193,516	136,413	136,157	178,259	34,307	71,127	127,021	11,895	71,244	62,056	–	1,021,995
Interest income	100,760	41,206	11,130	22,704	1,923	15,461	153,621	27,470	7,572	819,386	(978,985)	222,248
Interest expenses	49,753	64,679	30,617	373,605	9,700	19,799	73,253	9,542	48,150	781,338	(826,330)	634,106
Total profit/(losses)	312,967	802,804	390,988	(705,633)	111,465	124,322	334,886	48,502	4,761	169,634	235,115	1,829,811
Income tax expenses	99,403	176,604	92,355	(55)	25,997	40,806	28,678	10,493	(684)	32,605	7,652	513,854
Net profit/(losses)	213,564	626,200	298,633	(705,578)	85,468	83,516	306,208	38,009	5,445	137,029	227,463	1,315,957
Total assets	24,923,503	16,985,460	15,619,139	33,190,649	4,437,244	4,674,408	42,481,469	5,006,675	4,331,696	40,278,300	(53,660,184)	138,268,359
Total liabilities	16,362,266	9,767,937	10,383,698	32,024,876	2,691,628	2,526,181	34,231,111	2,259,200	4,058,267	50,619,557	(68,302,403)	96,622,318
Other substantial non-cash items:												
– Other non-cash expenditures/(income) other than depreciation and amortisation	112,652	(803)	(21,860)	21,620	321	(5,077)	64,237	(37)	73	(93,757)	(6,537)	70,832
– Long-term equity investment of associates and joint ventures	113,595	119,806	166	31,759	546,144	529,099	439,476	140,207	229,282	301,165	–	2,450,699
– Additions of other non-current assets other than long-term equity investment	526,079	298,958	216,198	115,351	72,423	72,280	3,805,860	820	29,282	206,425	(3,438,636)	1,905,040

Segment information as at and for the six months ended 30 June 2017 is as follows:

Unit: RMB thousand

Item	Container	Road transportation vehicle	Energy, chemical and food equipment	Offshore engineering	Airport facilities equipment	Logistics service and equipment	Finance	Industrial city development	Heavy truck	Others	Elimination between segments	Total
	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017	January-June 2017
External transaction revenue	9,887,481	9,626,148	4,981,930	537,143	1,180,919	3,737,122	1,148,040	268,459	1,250,276	769,634	-	33,387,152
Inter-segment transaction revenue	161,574	93,453	78,581	677,366	-	14,080	-	29,205	32,925	624,543	(1,711,727)	-
Cost of sales from main operations	8,044,284	7,907,269	4,100,021	1,325,117	932,468	3,351,524	498,703	161,286	1,199,321	1,159,432	(1,767,808)	26,911,617
Investment income/(losses) in associates and joint ventures	(739)	1,185	(1,225)	-	-	(2,787)	2,592	-	6,149	(2,637)	-	2,538
Assets impairment losses	13,753	37,921	117,644	(290)	545	1,821	62,000	(141)	(43)	1,652	(425)	234,437
Depreciation and amortisation expenses	191,681	139,505	218,251	270,460	33,707	48,507	94,243	5,604	68,783	82,170	-	1,152,911
Interest income	59,361	34,139	25,883	31,978	1,104	7,530	109,934	8,802	1,530	674,061	(836,661)	117,661
Interest expenses	38,065	52,448	56,079	249,726	6,036	15,047	65,219	5,628	38,641	690,237	(694,861)	522,265
Total profit/(losses)	904,024	716,090	115,972	(549,219)	1,912	89,396	551,309	73,097	(43,117)	(385,962)	102,640	1,576,142
Income tax expenses	222,922	148,074	63,709	1,202	6,085	32,056	35,212	8,062	(303)	6,584	(13,970)	509,633
Net profit/(losses)	681,102	568,016	52,263	(550,421)	(4,173)	57,340	516,097	65,035	(42,814)	(392,546)	116,610	1,066,509
Total assets	18,705,203	15,766,465	13,731,880	33,175,397	3,894,988	4,212,124	36,093,645	3,248,466	4,287,682	40,611,475	(44,228,471)	129,498,854
Total liabilities	10,242,842	8,147,509	9,127,079	31,811,543	2,416,166	2,714,511	28,524,362	1,616,268	3,872,629	44,880,485	(53,726,423)	89,626,971
Other substantial non-cash items:												
- Other non-cash expenditures /(income) other than depreciation and amortisation	121,423	82,465	128,878	(60,348)	4,745	7,411	58,820	(141)	213	129,992	(178,406)	295,052
- Long-term equity investments of associates and joint ventures	29,470	122,966	9,162	33,289	533,598	493,166	402,522	104,191	202,304	318,762	-	2,249,430
- Additions of other non-current assets other than long-term equity investment	162,230	106,945	304,593	113,416	61,185	46,283	252,235	18,152	24,105	178,622	1,020,953	2,288,719

14. RESTRICTED ASSETS OF THE GROUP AS AT 30 JUNE 2018

Unit: RMB thousand

	31 December 2017	Current period addition	Current period decrease	Exchange differences arising from translating foreign currencies	30 June 2018
Assets used as collateral					
– Cash at bank and on hand	1,353,836	218,696	(550,157)	–	1,022,375
– Notes receivable	72,475	7,697	8,623	–	71,549
– Other current assets	21,060	–	(2,060)	–	19,000
– Long term receivables	8,015,023	–	–	–	8,015,023
– Fixed Assets	353,331	2,164	(97,937)	–	257,558
Total	<u>9,815,725</u>	<u>228,557</u>	<u>658,777</u>	<u>–</u>	<u>9,385,505</u>

Long term receivables are used as collateral for mortgage loan. Notes receivables are used for rediscounting, pledge for letter of guarantee and pledge for pool of notes. Restricted fixed assets are used as collateral for long term payables. The restricted cash at bank and on hand were security deposits, and deposits in the People's Bank of China by Finance Company.

15. CONTINGENCIES

(1) Contingent liabilities

CIMC Raffles, a subsidiary of the Group, signed a drilling platform construction contract with the relevant purchasers. The relevant purchasers believed that CIMC Raffles failed to deliver on schedule as required by the contract and had sent a notice of suspension of the contract to CIMC Raffles and demanded compensation of USD37,400,000 (equivalent to RMB247,518,000). As of 31 December 2016, CIMC Raffles has reclassified the advances for construction of USD18,700,000 (equivalent to RMB123,759,000) to other payables. As of the date of this report, the matter is still in arbitration. The management expects that the risk of arbitration is relatively low and no related liabilities are accrued.

YZTH, a subsidiary of the Company, provided guarantee to the mortgage loans by which some of its clients bought its mixer trucks, but some of the loan repayments have been overdue severely, the management team expected there is high possibility for YZTH to repay the loans for the clients, therefore the related estimated liabilities of RMB3,459,000 (31 December 2017: RMB3,096,000) are accrued, which is based on the amount of loan repaid and expected to be repaid.

(2) Guarantees provided for external parties

CIMC Raffles, a subsidiary of the Group, provided guarantees for the vessel leasing of its clients. As at 30 June 2018, the amount guaranteed by Raffles was approximately RMB238,750,000 (31 December 2017: RMB258,646,000).

The Group's subsidiaries, Shenyang Vehicle Industry Park and Shaanxi Vehicle Industry Park, cooperated with China Construction Bank and Shaanxi Xianyang Qindu Rural Commercial Bank, respectively, in mortgage credit cooperation and signed a housing loan guarantee contract, which provide periodic guarantees by the relevant banks to the customers of two companies for the loans received from properties purchased. As at 30 June 2018, the customer financing loans guaranteed by the Shenyang Vehicle Industrial Park and Shaanxi Vehicle Industrial Park was in aggregate of approximately RMB11,850,000 (31 December 2017: RMB11,850,000).

CIMC Vehicle Group, a subsidiary of the Group, signed contracts with China Merchants Bank, Huishang Bank, Bank of Communications, and Industrial Bank, which was granted to the distributors and customers of CIMC Vehicle Group and its subsidiaries arising from purchase of vehicle products. As at 30 June 2018, the aggregate amount of credit facilities in respect of which CIMC Vehicle Group and its subsidiaries provided guarantees to the distributors and customers was in aggregate of approximately RMB1,153,798,000 (31 December 2017: RMB808,421,000).

The Group's subsidiary, Shenzhen CIMC Production City Development Group Co., Ltd. and its holding subsidiaries, provided guarantees to purchasers of commodity homes by the way of secured loans. The total amount of guarantees provided by the Group was RMB694,951,000 as at 30 June 2018 (31 December 2017: RMB627,323,000).

C&C Trucks and its holding 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 holding subsidiaries arising from purchase of vehicle products. As at 30 June 2018, the aggregate amount of credit facilities in respect of which C&C Trucks and its holding subsidiaries provided guarantees to the distributors and customers was in aggregate of approximately RMB550,791,000 (31 December 2017: RMB339,442,000).

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

The Group does not recognize notes payable or letter of credit issued as deposits. Corresponding inventories, advance to suppliers and notes payable are recognised by the Group at the earlier of the date of delivery of goods or the maturity date of the notes issued. As at 30 June 2018, the Group had no notes issued but not accounted for and the outstanding letters of credit was RMB123,643,000 (31 December 2017: RMB278,433,000).

As at 30 June 2018, the Company had balance of outstanding guarantees for its subsidiaries RMB968,309,000 (31 December 2017: RMB976,022,000).

As at 30 June 2018, the amount of outstanding guarantee of the Group's subsidiary issued by the bank was RMB137,598,000, of which the balance of the performance guarantee was RMB50,560,000, the balance of the payment guarantee was RMB9,000,000, and the balance of the quality guarantee was RMB12,442,000, the balance of customs guarantees was RMB7,000,000, the balance of advance payment guarantees was RMB40,078,000, the balance of bid bonds was RMB900,000, the balance of general customs guarantees was RMB60,000, the balance of total guarantees was RMB1,300,000, the balance of security deposits was RMB2,523,000, and the balance of the owner's payment of the guarantee was RMB13,735,000 (31 December 2017: RMB90,121,000).

As at 30 June 2018, the balance of outstanding guarantees of the Group's subsidiary, Tianda Airport, issued by the bank was RMB727,608,000, of which the balance of performance guarantee was RMB264,528,000, and the balance of advance guarantee was RMB269,965,000. The balance of non-financing guarantees was RMB1,024,000, the balance of tax guarantees was RMB16,515,000, the balance of bid bonds was RMB18,872,000, the balance of reserve funds/retention bonds was RMB2,951,000, the balance of quality guarantees was RMB33,159,000, the balance of standby letter of credit was RMB120,594,000 (31 December 2017: RMB857,578,000).

As at 30 June 2018, CIMC Enric and its subsidiaries had balance of outstanding guarantees issued by relevant banks was RMB1,543,740,000, of which the balance of the performance and quality guarantee was RMB329,458,000, the balance of advance payment guarantee was RMB427,483,000, the balance of progress guarantee was RMB115,100,000, the balance of the parent company guarantee was RMB36,500,000, the payment guarantee was RMB20,000,000, the tax guarantee was RMB4,976,000, the item guarantee was RMB607,223,000 and the other guarantee was RMB3,000,000 (31 December 2017: RMB994,460,000).

As at 30 June 2018, CMIC Raffles had balance of outstanding guarantees issued by relevant banks amounting to USD70,360,000 (equivalent to RMB465,651,000), of which the performance guarantee, and advance payment guarantees were USD47,960,000 (equivalent to RMB317,405,000), and USD22,400,000 (equivalent to RMB148,246,000), respectively (31 December 2017: RMB20,321,000).

As at 30 June 2018, CIMC Finance Company, a subsidiary of the Group, had balance of outstanding guarantees for the subsidiary of the Group amounting to RMB40,936,000, of which the balance of performance guarantees, quality guarantees, and payment guarantees were RMB1,736,000, RMB3,964,000 and RMB21,500,000, respectively, balance of the owner's payment of the guarantee was RMB13,735,000 (31 December 2017: RMB7,559,000).

As at 30 June 2018, Pteris Global Ltd., a subsidiary of the Group, had balance of outstanding guarantees issued by relevant banks amounting to RMB653,624,000 of which the balance of performance, balance of advance guarantees, margin guarantees, balance of standby of credit and other guarantees were RMB371,304,000, RMB3,688,000, RMB1,881,000, RMB269,701,000 and RMB7,050,000, respectively (31 December 2017: nil).

(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 Xin Zhou Shipping Material Co., Ltd. ("**Shanghai Xin Zhou**") 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 Nantong Pacific Co., Ltd.,. 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 30 June 2018.

16. COMMITMENTS

Significant commitments

(1) Capital commitments

Unit: RMB thousand

	30 June 2018	31 December 2017
Fixed assets purchase contracts entered into but not performed or performed partially	220,845	98,366
External investment contracts entered into but not performed or performed partially	–	10
Vessels manufactured for sales or lease	57,999	44,342
Total	278,844	142,718

(2) Operating lease commitments

The minimum lease payments due after 30 June 2018 by the Group under the irrevocable operating leases contracts regarding buildings, fixed assets, etc. are summarised as follows:

Unit: RMB thousand

	30 June 2018	31 December 2017
Within 1 year (inclusive)	89,865	54,387
Over 1 year but within 2 years (inclusive)	24,939	24,211
Over 2 years but within 3 years (inclusive)	8,018	10,288
Over 3 years	48,294	49,855
Total	171,116	138,741

Operating lease recognised as profit or loss in January to June 2018 was RMB48,871,000 (January to June 2017: RMB50,717,000).

17. SUPPLEMENTARY INFORMATION

Return on Net Assets and Earnings Per Share

In accordance with Guidelines on the Compilation of Information Disclosure Documents by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (as amended in 2010) issued by the CSRC and relevant requirements of accounting standards, the calculation of return on net assets and earnings per share of the Company is listed as follows:

Unit: RMB/share

	Weighted average return on net assets (%)		Earnings per share			
	January to June 2018	January to June 2017	Basic earnings per share January to June 2018	January to June 2017	Diluted earnings per share January to June 2018	January to June 2017
Net profit attributable to ordinary shareholders of the Company	2.95%	2.76%	0.3061	0.2554	0.3038	0.2544
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.16%	3.00%	0.2239	0.2783	0.2218	0.2772

18. EVENTS AFTER THE BALANCE SHEET DATE

1. CIMC Modern Logistics Development Co., Ltd. and non-wholly-owned subsidiaries Shenzhen CIMC-Tianda Airport Support Co., Ltd. and CIMC Enric (Jingmen) Energy Equipment Limited intend to increase capital of CIMC Finance Co., Ltd., a wholly-owned subsidiary of the Company, with a capital contribution of RMB649,464,307.58 in aggregate (the “**Capital Increase**”). CIMC Finance Co., Ltd. intends to add RMB420,000,000 to its registered capital and the remaining portion will be credited to its capital reserve. Upon the consideration and approval at the 10th meeting of the eighth session of the board of the Company in 2018, the Company approved the Capital Increase and waived its preferential subscription rights to exercise the Capital Increase. 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 Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-059 and [CIMC]2018-060) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 20 July 2018.
2. On 9 August 2018, upon the consideration and approval at the 12th meeting of the eighth session of the board of the Company in 2018, the Resolution regarding the Proposed Overseas Listing of CIMC Vehicle (Group) Co., Ltd. was approved. The Company intends to spin off and list its subsidiary CIMC Vehicle (Group) on the Main Board of the Hong Kong Stock Exchange. The independent directors of the eighth session of the board have expressed their independent opinion on the relevant resolution. The transaction is still pending consideration and approval at the general meeting. In 14 August 2018, the Company published further announcement on preparations relating to the spin-off and overseas listing of a subsidiary of the company on the Hong Kong Stock Exchange. 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 Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-064 and [CIMC]2018-067) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 August 2018 and 14 August 2018.

3. On 9 August 2018, Mr. Li Guiping resigned as the Company's original vice president for work reasons. Upon resignation from the above position, Mr. Li Guiping will still hold his position as a Director, the CEO and president in the Company's subsidiary CIMC Vehicle (Group). 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 Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-065) and the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 August 2018.

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

Hong Kong, 28 August 2018

As at the date of the Announcement, 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 executive director; and Mr. PAN Chengwei, Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert as independent non-executive directors.