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CIMC 中集

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
中國國際海運集裝箱（集團）股份有限公司

1.5 Mr. WANG Hong, Chairman of the Board, Mr. MAI Boliang, CEO and President of the

Currently, the Group is ranked No. 1 in the world in terms of output and sales of standard dry containers, reefer containers and tank containers; the Group is one of China's largest manufacturers of road transportation vehicles, and it is ranked No. 1 in the world in terms of its market share in the semi-trailer industry; the Group's comprehensive competitiveness in boarding bridge business ranks among the world's leaders, as one of the world's three largest passenger boarding bridge manufacturers, and its market share in China has reached more than 95% for three consecutive years; and the Group is also one of the leading high-end offshore engineering equipment enterprises in China.

Legal Name in Chinese: 中國國際海運集裝箱(集團)股份有限公司

Abbreviated Chinese Name: 中集集團

Company Name in English: China International Marine Containers (Group) Co., Ltd.

Abbreviated English Name: CIMC

Legal Representative: Wang Hong

Authorised Representatives: Mai Boliang, Yu Yuqun


Registered Address and Address of the Company's Head Office: 8th Floor, CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, PRC

Principal Place of Business in Hong Kong: 3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

Website: <http://www.cimc.com>

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2.2 Contact Address in China and Hong Kong

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	Vice President, Secretary to the Board, Company Secretary	Representative of Securities Affairs
Telephone:	(86 755) 2669 1130	(86 755) 2680 2706
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Contact Address in Hong Kong:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	

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

3.1 Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors Yes No

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

Yes No

In 2017, the Ministry of Finance issued the newly revised “Accounting Standards for Business Enterprises No. 14-Revenue” (“New Revenue Standards”) as well as the newly revised “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 of Financial Instruments” (hereinafter collectively referred to as the “New Financial Instruments Standards and New Revenue Standards”). The Group implemented the New Financial Instruments Standards and New Revenue Standards from 1 January 2018. According to transitional provisions of the new standards, the Group needs not to restate comparable figures in the previous periods.

According to the provisions of the Notice of the Ministry of Finance on Revising and Circulating the Format of Financial Statements of General Enterprises for 2018 (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018]: No. 15), the Group adopted the revised format of financial statements of general enterprises to prepare its financial statements for the accounting year starting from 1 January 2018, and there is no need to restate comparable figures in the previous periods.

3.2 Key Accounting Data of the Last Year

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Income Statement	Fiscal Year		Change from the previous year to this year	December 31		
	2018	2017		2016	2015	2014
Revenue	93,497,622	76,299,930	22.54%	51,111,652	58,685,804	70,070,855
Operating profit	6,477,005	4,171,685	55.26%	1,202,884	3,039,854	3,297,874
Profit before income tax expense	6,683,558	4,409,241	51.58%	1,702,051	3,302,470	3,570,416
Income tax expense	2,615,103	1,250,826	109.07%	967,068	951,825	536,488
Net profit	4,068,455	3,158,415	28.81%	734,983	2,350,645	3,033,928
Including:						
Net profit attributable to shareholders and other equity holders of the Company	3,380,436	2,509,242	34.72%	539,660	2,026,613	2,477,802
Profit or loss attributable to minority shareholders	688,019	649,173	5.98%	195,323	324,032	556,126
Net profit attributable to shareholders and other equity holders of the Company after deducting non-recurring profit or loss	<u>2,258,609</u>	<u>1,367,068</u>	<u>65.22%</u>	<u>511,420</u>	<u>1,751,645</u>	<u>2,142,682</u>

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Balance Sheet	As at 31 December					
	2018	2017	Changes from the previous year to this year	2016	2015 (Restated)	2014 (Restated)
Total current assets	81,902,959	59,001,923	38.81%	53,352,031	43,530,325	45,172,177
Total non-current assets	76,981,004	71,602,456	7.51%	71,262,717	63,526,740	42,794,387
Total assets	158,883,963	130,604,379	21.65%	124,614,748	107,057,065	87,966,564
Total current liabilities	73,536,161	51,421,759	43.01%	46,249,215	45,922,271	43,340,077
Total non-current liabilities	32,944,814	35,945,186	(8.35%)	39,230,741	25,413,879	17,202,785
Total liabilities	106,480,975	87,366,945	21.88%	85,479,956	71,336,150	60,542,862
Equity attributable to shareholders and other equity holders of the Company	37,324,999	32,460,927	14.98%	29,285,970	28,687,635	22,380,369
Minority interests	15,077,989	10,776,507	39.92%	9,848,822	7,033,280	5,043,333
Total equity attributable to shareholders	<u>52,402,988</u>	<u>43,237,434</u>	<u>21.20%</u>	<u>39,134,792</u>	<u>35,720,915</u>	<u>27,423,702</u>

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Cash Flow Statement	For the year ended 31 December					
	2018	2017	Changes from the previous year to this year	2016	2015	2014
Net cash flows from operating activities	140,732	4,464,831	(96.85%)	2,341,619	(3,610,223)	6,434,477
Net cash flows from investing activities	(4,401,930)	(1,769,557)	(148.76%)	(6,854,655)	(12,584,781)	(11,553,782)
Net cash flows from financing activities	<u>9,295,766</u>	<u>(3,537,153)</u>	<u>362.80%</u>	<u>7,511,046</u>	<u>16,505,663</u>	<u>3,940,986</u>

3.3 Key Financial Data

			Changes from the previous year to this year	2016	2015	2014
Key Financial Data	2018	2017				
Basic earnings per share attributable to shareholders of the Company (RMB/share)	1.11	0.81	37.04%	0.14	0.74	0.93
Diluted earnings per share attributable to shareholders of the Company (RMB/share)	1.10	0.81	35.80%	0.14	0.73	0.92
Net cash flows from operating activities (RMB/share)	0.05	1.50	(96.67%)	0.79	(1.21)	2.41
Net assets per share attributable to shareholders and other equity holders of the Company (RMB/share) (Total shares based on ordinary shares outstanding at the end of the year)	12.50	10.88	14.89%	9.83	9.63	8.34
Weighted average return on net assets (%)	10%	8%	2%	2%	8%	12%
Weighted average return on net assets after deducting non-recurring profit or loss (%)	<u>7%</u>	<u>4%</u>	<u>3%</u>	<u>1%</u>	<u>7%</u>	<u>10%</u>

3.4 Net Profit Before Tax

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Item	2018	2017	2016 (restated)
Gains on disposal of non-current assets	1,347,841	15,635	264,552
Government grants recognised in profit or loss for the current period	386,822	472,626	497,336
Gains or losses from changes in fair value arising from holding financial assets held for trading, and investment gains arising from disposal of available-for sale financial assets, other debt investments, and other non-current 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	(442,899)	125,295	399,704
Net gains from disposal of long-term equity investments	113,061	458,808	361,353
Other profit/loss items defined as non-recurring profit/loss items	(158,226)	143,549	(1,362,915)
Other non-operating income and expenses other than the above items	259,462	335,255	139,625
Effect of income tax	(360,164)	(326,880)	(422,180)
Effect of minority interests (after tax)	(24,070)	(82,114)	150,765
	<u>1,121,827</u>	<u>1,142,174</u>	<u>28,240</u>
Total	<u><u>1,121,827</u></u>	<u><u>1,142,174</u></u>	<u><u>28,240</u></u>

4 SHAREHOLDINGS AND SHAREHOLDING STRUCTURE CHART

4.1 Nijverheidsfondsen en aandelen

Na e f a e de	Na e f a e de	Pe ce a e f a e d	e Re Pe d	5% e Re Pe d	e e a e de	N be f a e ed	N be f a e ed
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)	0	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)	0	9,035,599	

Explanation on the relationship or concerted action of the above shareholders Unknown

1: A 31 D 2018, R CC 1,731,261,346 C ,
14,854,837 A 1,716,406,509 R CC
() 733,691,017 R G
(China Merchants Group) (C C) (C C)
.), 245,842,181 R C C C C
(China COSCO Shipping) (25,322,106 R
R 220,520,075 R C C
C).

2: A 31 D 2018, C C C 220,520,075 R
C R CC (1) 432,171,843
A C .

4.3 Disclosure of Substantial Shareholdings of the Company under Division 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

So far as the directors are aware, as at 31 December 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 Securities and Futures Ordinance of Hong Kong are as follows:

Name of the Shareholder	Number of Shares	Number of Shares	Percentage of Shares	Percentage of Shares
China Merchants Group (1)	H shares	733,691,017 (L)	Interest of corporation controlled by the substantial shareholder	42.74% 24.58%
China COSCO Shipping (2)	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 (3)	H shares	358,251,896 (L)	Interest of corporation controlled by the substantial shareholder	20.87% 12.00%
Broad Ride Limited (3)	H shares	215,203,846 (L)	Beneficial holder	12.54% 7.21%
	H shares	143,048,050 (L)	Person having security interest in shares	8.33% 4.79%
Promotor Holdings Limited	H shares	143,048,050 (L)	Beneficial holder	8.33% 4.79%

(L) Long position

1: C	G	(C C)	733,691,017	()
2: C C C	, 432,171,843 A	()	245,842,181	()
3: G	C	(B)	215,203,846	143,048,050

Save as disclosed above and so far as the directors are aware, as at 31 December 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 Securities and Futures Ordinance of Hong Kong.

4.4 I f a S b a a S a e d e

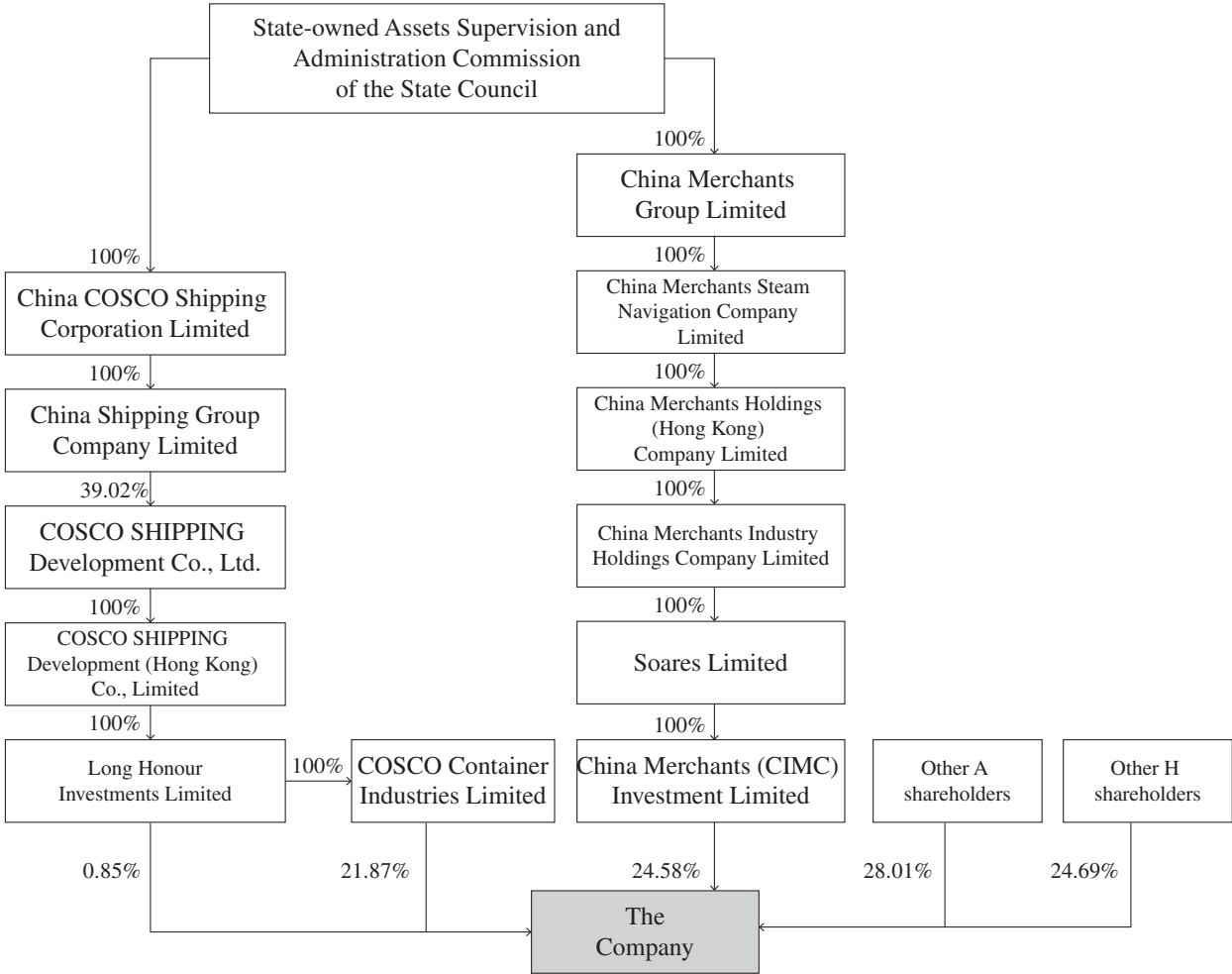
The Company has no controlling shareholder or actual controller, and there was no change during the Reporting Period. As of the end of the Reporting Period, the substantial shareholders of the Company are China Merchants Group and China COSCO Shipping.

China Merchants Group was incorporated in October 1986 in the PRC. Its registered capital is RMB10.05 billion and its chairman of the board of directors is Mr. LI Jianhong. China Merchants Group's business focuses on three core industries, namely traffic (harbour, highway, shipping and transportation, logistics, ocean engineering and trade), finance (banking, securities, funds and insurance) and real estates (industrial zone development and real estate development). On 9 June 2017, China Merchants Port Holdings Company Limited, a subsidiary of China Merchants Group, completed the transaction of transferring all shares of Soares Limited to China Merchants Industry Holdings Company Limited, another subsidiary of China Merchants Group. As of the end of the Reporting Period, China Merchants Group through its subsidiaries (including China Merchants Steam Navigation Company Limited, China Merchants Holdings (Hong Kong) Company Limited, China Merchants Industry Holdings Company Limited, 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 RMB11.0 billion and its legal representative is Mr. XU Lirong. China COSCO Shipping takes shipping, integrated logistics and related financial services as the pillar to provide global integrated logistics supply chain services among various industrial clusters. As of the end of the Reporting Period, China COSCO Shipping, the second largest shareholder of the Company indirectly, through its subsidiaries (including China Shipping Group Company Limited, COSCO SHIPPING Development Co., Ltd., Long Honour Investments Limited and COSCO Container Industries Limited, etc.) held 22.72% of the issued shares of the Company.

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

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



5 DIRECTORS' REPORT

5.1 Overview

In 2018, Sino-US trade frictions occurred, and global economic and trade activities faced many uncertainties, leading to important and far-reaching changes in the domestic and international environment. Meanwhile, the global economy has maintained steady growth, in particular, the fundamentals of the US economy were still strong. The global container trade and the growth rate of China's foreign trade and export have not been significantly affected, and the overall economic performance of China continued to show a steady and positive trend.

Benefiting from the recovery in the global and domestic economy, during the Reporting Period, the Group's revenue amounted to RMB93.498 billion (2017: RMB76.300 billion), representing a year-on-year increase of 22.54%; the net profit attributable to shareholders and other equity holders of the Company amounted to RMB3.380 billion (2017: RMB2.509 billion), representing a year-on-year increase of 34.72%; and the basic earnings per share amounted to RMB1.11 (2017: RMB0.81), representing a year-on-year increase of 37.04%. Among the principal businesses of the Group, the revenue of the container manufacturing business, road transportation vehicle business, energy, chemical and liquid food equipment business, airport facilities equipment business and industrial city development business achieved growth in their revenues; the logistics services business remained relatively stable in revenue; and the revenue of the offshore engineering business, heavy truck business and financial business saw a slight decline.

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

Consolidated Operating Results

	2018	2017	Percentage change (%)
Revenue	93,497,622	76,299,930	22.54%
Operating profit	6,477,005	4,171,685	55.26%
Net profit attributable to shareholders and other equity holders of the Company	3,380,436	2,509,242	34.72%
Net cash flows from operating activities	140,732	4,464,831	(96.85%)
Net increase/(decrease) in cash and cash equivalents	5,089,896	(895,810)	668.19%

5.2 Revenue Performance

Container Manufacturing Business

The Group's container manufacturing business mainly consists of standard dry containers, reefer containers and special-purpose containers. The Group has the capacity to produce a full series of container products with independent intellectual property rights. Special-purpose containers mainly include North American domestic 53-foot containers, European pallet wide containers, bulk containers, special-purpose reefer containers, flatracks and other products. During the Reporting Period, the Group remained No. 1 in the industry in terms of production and sales of containers.

In 2018, global trade maintained steady growth despite some headwinds, shipping volume increased steadily, customers maintained strong procurement demand for new containers. During the Reporting Period, the overall sales volume and revenue of containers of the Group achieved notable 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.

In 2018, due to demand recovery in container business, the accumulated sales volume of ordinary dry containers of the Group reached 1,543,900 TEUs (2017: 1,308,900 TEUs), representing a year-on-year increase of 17.95%; the accumulated sales volume of reefer containers reached 168,200 TEUs (2017: 109,100 TEUs), representing a year-on-year increase of 54.17%. The container manufacturing business of the Group recorded a revenue of RMB31.536 billion (2017: RMB25.047 billion), representing a year-on-year increase of 25.91%; and the net profit was RMB1.891 billion (2017: RMB1.463 billion), representing a year-on-year increase of 29.22%; among which, ordinary dry containers contributed a sales revenue of RMB21.606 billion (2017: RMB17.719 billion), representing a year-on-year increase of 21.93%; reefer containers contributed a sales revenue of RMB5.024 billion (2017: RMB3.274 billion), representing a year-on-year increase of 53.44%; special-purpose containers contributed a sales revenue of RMB5.194 billion (2017: RMB4.808 billion), representing a year-on-year increase of 8.03%.

In 2018, the demand recovery in the container manufacturing business of the Group continued, with orders increased significantly than that in the previous year, reaching a historical record. However, affected by the the increase in material prices and decrease in container prices due to intensified competition in the industry as well as other factors, the overall level of profit margin declined notably compared to that of the same period of the previous year. In general, container business of the Group continued its stable development trend in 2018 and market share and results of operations remained stable, which is in line with our expectation. Meanwhile, in terms of technical research and development, the Group increased injection of various resources and planned to committed itself to improve the intelligent manufacturing level of container and drive the intellectualisation, informatisation, digitalisation and green development of production and operation in the next 3 to 5 years. The enterprise resource planning (ERP) project and the electronic procurement platform project have started pilot implementation, and various works of intelligent manufacturing upgrade are currently progressing in an orderly manner. In terms of major project investments, construction works of the new container factory project in Fenggang, Dongguan are progressing as planned, and has entered the trial production stage in the fourth quarter of 2018. It is estimated that the main production line of Phase I of the project will be officially put into operation in the beginning of 2019. The intelligent manufacturing upgrade project for the container segment named “Longteng Plan” has achieved initial success. Through intellectualisation, informatisation and upgrade and modification of manufacturing process, we will lay a solid foundation for the next leap-forward development of the container industry. In 2018, the independent heat storage and temperature controlled containers with the characteristics of zero energy consumption and zero pollution began to be used in large scale in Sino-European freight trains, making it the world’s first “black technology”, and has promoted the normalization of winter transportation of Sino-European freight trains. In terms of significant assets disposals, the original reefer container factory in Qingdao has completed assets disposals and has surrendered the project site according to the local government’s land reservation and relocation requirement and obtained a share of the land appreciation gains.

Road Transportation Vehicle Business

CIMC Vehicles (Group) Co., Ltd. (“CIMC Vehicle”), a subsidiary of the Group, is the leader of the global semi-trailer industry, principally engaging in the manufacture and sales of semi-trailers and truck bodies for specialty vehicles. As at 31 December 2018, CIMC Vehicles has marketed and sold a variety of semi-trailers and truck body products in China, North America, Europe and other regions (covering over 40 countries), and has established 31 manufacturing

and assembly plants in China, the United States, the United Kingdom, Belgium, Poland, Australia, Thailand, South Africa and other regions. The semi-trailer products mainly include chassis and flatbed trailers, fence trailers, tank trailers, refrigerated trailers, van trailers and center-axle trailers, and truck body products include dump beds for dump trucks, mixers for mixer trucks and truck body products for various of other specialty vehicles. “CIMC”, “Vanguard”, “SDC” and “LAG” of CIMC Vehicles are among the most well-known brand names in the global semi-trailer industry.

In the past few years, the global economy has maintained a growth momentum, and the semi-trailer industry and its downstream markets have shown an expansion trend. This was mainly due to the increase in freight volume driven by the surge in e-commerce sales, increased demand for road transport, infrastructure and increased demand from other industries. Due to the ever-changing customer needs and technological and political environment, the practical functions of semi-trailers has continued to upgrade, especially in China and other developing countries. It is expected that the demand for semi-trailers will continue to increase in developing countries in 2019, resulting in an increase in global semi-trailer sales.

In 2018, the Group’s road transportation vehicle business continued to achieve full growth, with a cumulative sales volume of 192,000 units (sets) for the year (2017: 163,000 units (sets)), representing a year-on-year increased of 17.79%; recorded a sales revenue of RMB24.400 billion (2017: RMB19.521 billion), representing a year-on-year increase of 24.99%; achieved a net profit of RMB1.273 billion (2017: RMB1.018 billion), representing a year-on-year increase of 25.04%. The increase in revenue and net profit was mainly due to the continued growth in vehicle sales in China and the United States.

In 2018, CIMC Vehicles further promoted the digitization of its production processes and continued to develop new products and improve product characteristics by strengthening global operations; established agile organizations for digital manufacturing and operations and continued to capture new business opportunities with growth potential; and introduced product life-cycle management systems (PLM) and manufacturing execution systems (MES), in order to implement intelligent manufacturing, planning and management and to consolidate its leading position in the global semi-trailer market.

In terms of the domestic market: in 2018, CIMC Vehicles seized the development opportunities brought by new regulatory policies (“Limits of Dimensions, Axle Load and Mass of Automotives, Trailers and Auto Trains” (GB1589-2016), “Administrative Provisions on Highway Driving of Over-Limit Transport Vehicles” and “Program for Governance over Cars and Transport Vehicles”) and changing customer needs, and achieved an increase in sales volume of dump beds and mixes on the basis of the increased demand for specialty vehicles for construction resulted from the continuous growth of domestic vehicle sales and the positive development of infrastructure construction in China. In terms of the overseas markets: vehicle sales in North American market continued to grow, mainly due to the increase in demand for chassis trailers in the US market and the depreciation of the RMB to the US dollar; as for the European market, we have developed swap body products to cater the development of European e-commerce logistics, and have strived to effectively penetrate the local market and to seize sales opportunities; as for emerging markets, we have established overseas subsidiaries in Thailand, Australia, Malaysia, South Africa, etc., and have adhered to the strategy of deepening the mainstream markets in the fragmented global market.

In order to further expand its business scale, develop its operations, and enhance its industrial capabilities, on 27 December 2018, CIMC Vehicles formally submitted its listing application to the Hong Kong Stock Exchange to apply for the listing of, and permission to deal in the H shares of CIMC Vehicles on the Main Board of the Hong Kong Stock Exchange. On 14 March 2019, CIMC Vehicles received the Approval on the Issuance of Overseas Listed Foreign Invested Shares of CIMC Vehicles (Group) Co., Ltd. (Zheng Jian Xu Ke [2019] No. 356) from the China Securities Regulatory Commission (the “CSRC”), approving the new issuance of no more than 383,801,955 overseas listed foreign invested shares of RMB1 per share, all being ordinary shares, by CIMC Vehicles at par value of RMB1 per share (all being ordinary shares). The Company will fulfill its information disclosure obligations in a timely manner on the follow-up progress of the proposed spin-off and listing in accordance with the requirements of relevant laws and regulations.

Energy, Chemical and Liquid Food Equipment Business

The Group’s energy, chemical and liquid food equipment business segment is principally engaged in the design, development, manufacturing, engineering and sales of various transportation, storage and processing equipment widely used in three sectors, namely energy, chemical and liquid food equipment, as well as provision of relevant technical and maintenance services. Its energy and chemical equipment products and services are supplied throughout China and are exported to Southeast Asia, Europe and North and South Americas; and from its production base in Europe, its liquid food equipment products and services are offered worldwide. Meanwhile, the Group also provides a comprehensive range of services for the global oil and gas production and processing industry, specializing in large-scale complex Engineering Procurement Construction (“EPC”) projects of low temperature systems and installations in energy and chemical industry. This business segment 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. The main operating entity is CIMC Enric Holdings Limited (“CIMC Enric”), a subsidiary of the Group.

Since 2018, the global economy has continued to grow moderately with the momentum slowed down. Crude oil prices were volatile, trade frictions heated up and protectionism and unilateralism were on the rise, all of which have added to the uncertainty about the global growth in 2019. Under such background, driven by factors including environmental protection, urban gases and the change of coal to gas in industrial sectors, increase in prices of alternative energy and the commencement of operations of new gas power plants, the PRC government has introduced a series of favorable policies to promote the use of clean energy in recent years. The government has also vigorously promoted the construction of infrastructures, such as natural gas pipelines, underground gas storage and liquefied natural gas (LNG) terminals. The import volume of natural gas continued to grow rapidly, indicating the start of golden time for the natural gas industry in China. Meanwhile, the more economic, more environmentally friendly, more intelligent and safer green logistics model will be the general trend of the global chemical logistics industry, and will drive the steady growth of the tank container industry. The liquid food industry has also experienced rapid growth in recent years, benefiting from factors such as stable population growth, increasing prosperity of the global society, improving living standards of the people and the rising awareness for food safety and health.

In 2018, benefited from the growing market demand, the energy, chemical and liquid food equipment business of the Group recorded revenue of RMB14.163 billion (2017: RMB11.846 billion), representing a year-on-year increase of 19.56%. The net profit was RMB792 million (2017: RMB474 million), representing a year-on-year increase of 67.21%. The revenue from the clean energy business, one of the three main business segments of CIMC Enric under the Group, was RMB6.027 billion (2017: RMB4.959 billion), representing a year-on-year increase of 21.55%; the revenue from the chemical environment business was RMB3.768 billion (2017: RMB3.026 billion), representing a year-on-year increase of 24.51%; and the revenue from the liquid food business was RMB3.198 billion (2017: RMB2.686 billion), representing a year-on-year increase of 19.06%.

Clean Energy Equipment: the clean energy segment has sales offices in China, Southeast Asia, Russian-speaking areas and North America, and has subsidiaries for the related business in the United States and Singapore. As the only key equipment manufacturer and engineering service provider of natural gas with full industrial chain coverage in China, the Group is capable of providing one-stop systematic solutions. CIMC Enric's clean energy segment has the most comprehensive product portfolios and the most systematic solutions, enjoying certain market position in various niche product fields. In particular, the production and sales volumes of LNG, LPG (Liquefied Petroleum Gas), CNG (Compressed Natural Gas) storage and transportation products were leading nationwide. In 2018, with the participation of CIMC Enric for construction, the storage tank project at Guanghui Energy Qidong Terminal was completed and put into production, and the storage tank project, the phase I of ENN Zhoushan LNG Terminal was completed and put into production, the phase II of which was newly signed and under construction at the end of the year. The above secured the key channel of importing international natural gas by the upstream. At the same time, CIMC Enric proactively explored the guaranteed supply of natural gas. It realized China's first south gas to north and river-ocean transport with LNG tank containers through cooperation with CNOOC Gas and Power Group Co., Ltd. and China LNG Group. The LNG tank containers are appropriate for storage or transport, available for multimodal transport by means of land, waterway, railway and ocean, which is the fourth new mode for transporting natural gas, in addition to land pipeline transport, tank truck transport and offshore LNG shipping.

Chemical Equipment: the chemical equipment segment has sales companies in Europe and sales offices in Russia and South Korea etc. Its products are sold to many countries and regions in the world, ranking the first in the market globe-wide for 15 consecutive years. In 2018, this segment successfully developed 45 feet super-volume SWAPBODY tank containers, anti-corrosion lining tank containers and large-volume railway tank containers that meet customer requirements in Europe, which enhanced the transportation capacity and efficiency, and its tank container technology continued to maintain its industry-leading position. At the same time, the Group actively explored the use of new environment-friendly materials in the manufacturing of tank containers, and improved the effective load of tank containers by reducing their weight. In response to the specific demands for chemical products that are temperature-sensitive or anti-corrosion etc., the Group worked with domestic and foreign enterprises to explore new technologies for tank container lining treatment, researched and developed new types of tank containers with special lining such as coating, rubber lining and PTFE lining. It further expanded the portfolio of special-purpose tank products independently developed and produced, and succeeded in developing special-purpose tank containers for highly dangerous products, such as special refrigerants gas tank containers and railway-use tank containers for sulfuric acid, to transport more varieties of chemicals to satisfy various needs of customers. In 2018, the global chemical industry was active with increased production volume of chemicals and its increased flows, plus more investment by tank container lessors and logistics operators globally, which directly increased the sales volume of tank containers. The tank container business of this segment performed well against intense market competition, the production of main products reaching record high and sales achieving excellent results.

In 2018, traditional oil and gas industry recovered slowly, non-oil and gas business such as new business fields including module building, production platform, ocean fisheries and marine travel saw rapid growth. Accordingly, CIMC Raffles has been actively promoting business transformation and alignment, branching out from the oil and gas core business to a diversified range of related businesses, with a view to attain a business structure to counter-balance the impacts due to fluctuations of demand for offshore engineering products in the oil and gas industry. For example, CIMC Raffles entered into a preliminary design contract for jack-up accommodation platform with a major international customer BP p.l.c.(BP); new orders haven been acquired for module business making substantial breakthrough; fisheries business acquired orders of deep-water aquaculture cages, representing a big step towards high-end fishery equipment; marine travel and reconstruction business continued to receive orders.

In respect of the construction and delivery of platforms: Petrobras' FPSO (Floating Production Storage and Offloading Unit) Project officially commenced in March 2018; CIMC Raffles' CR600 accommodation platform with entirely self-owned intellectual property rights commenced its lease to Petrobras in May; the Asia's largest superyacht named Illusion Plus left Yantai and embarked on her maiden voyage to Monaco in August; construction of Norway's Nordlaks breeding vessel project commenced in November, other projects under construction were mostly near completion or under repairs and maintenance.

In respect of new orders: the Company quickened the buildup of exposures in non-traditional oil and gas industry. As at 31 December 2018, 25 orders with total contract value of USD480 million came into effect this year, among which : Norway's breeding vessel contract with a value of USD106 million was acquired in February 2018; a piling style rescue and salvage vessel construction project order from Yantai Salvage Bureau under the Ministry of Transport with a value of RMB615 million was acquired in September 2018; Bohai Ferry's 2+2 ro-ro ships contract with a value of RMB404 million was acquired in October 2018; and Norway's Aker 1+1 krill transportation ships project order with a value of USD64 million was acquired in December 2018.

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Airport Facilities Equipment Business

In 2018, the Group completed the injection of the equity interest in Pteris Global Limited (“P e ”) into China Fire Safety Enterprise Group Limited (“CFE”) (now renamed as “CIMC-TianDa Holdings Company Limited”, “CIMC-T a Da”), entering the capital market of Hong Kong. This move allowed the management of the airport segment of the Group to fully capitalize on its strong management and control expertise while integrating the core competitiveness of the key businesses such as airport facilities equipment, fire and rescue facilities equipment and logistics facilities equipment.

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

Up to 2018, urban development in China presented trends toward digital city planning, intelligent infrastructure, convenient public service and industry modernization. The global airline industry continued to grow as airline passengers and cargo turnover were still on the rise with passenger transport showing higher growth than that of cargo transport. Airport facilities construction and total size of airline fleets were still expanding and market supply and demand regarding airport facilities equipment and related businesses kept on their steady growth pace. With government’s stress on domestic infrastructure construction and progress of urbanization, the fire and rescue vehicle industry witnessed moderate growth with evident expansion in domestic market size. Automated logistics which enjoyed rapid growth remained a bright spot in the current upward market cycle and had captured high market attention, when development in E-commerce express delivery presented favorable opportunities to the business of automated logistics equipment. Since the National Development and Reform Commission issued the Guiding Opinions Concerning Parking Facility Construction in Urban Areas (Fa Gai Ji Chu [2015] No. 1788) together with Ministry of Finance and Ministry of Land and Resources, policies promoting the development of the parking industry have been launched successively by local governments which offered good development opportunities for the smart parking industry in the current favorable environment backed by strong policy support.

In 2018, airport facilities equipment business of the Group recorded sales revenue of RMB4.671 billion (2017: RMB3.597 billion), representing a year-on-year increase of 29.88%; and net profit was RMB193 million (2017: RMB146 million), representing a year-on-year increase of 31.67%, which was mainly due to the increase of airport facilities equipment business and fire and rescue vehicle business.

In 2018, the Group further strengthened its capabilities in the airport facilities equipment business:

- The airport facilities equipment business: our international market share continued to increase, and our domestic market position has been solidified and deepened. Meanwhile, we expedited our expansion in the US market and the layout plan of our global service network. Research and development work of intelligent boarding bridges has been steadily carried out. Business in respect of boarding bridge ancillary products including on-bridge air-conditioner, rose steadily in 2018 in terms of sales revenue and market share with the help of airport related business. As to 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 a higher profit was recorded. 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 been shifted to China gradually, thereby further improving product quality and securing on-time delivery.

- The fire and rescue vehicle business: Albert Ziegler GmbH (“Z e e ”) was committed to improving profitability and high-quality growth of sales, as well as maintaining the leading position in technology and increasing brand influence in the industry. Through merger and acquisition, increasing shareholdings, business cooperation and other initiatives, Ziegler managed to turn around its weakness in special chassis for airport fire trucks, aerial lift truck, ladder truck and other product lines and enhance the competitiveness of products in all aspects. For the domestic market, while the fire and rescue vehicle business was growing steadily, focus was put on the development of the aerial lift truck market and the active deployment of two pronged strategy for the development of both product lines and geographical coverage. In 2018, 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) and 100% equity interests in Shanghai Jindun Special Vehicle Equipment Co., Ltd. (上海金盾特種車輛裝備有限公司). This enabled the Group to strengthen its portfolio of fire and rescue vehicle and enlarge its geographical market coverage and production capacity, and thus 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). On the basis of mutual benefit and win-win cooperation, the Group innovated integrated solutions of fire and rescue vehicle leasing and provided a whole series of high-end to low-end fire safety equipment to accelerate the upgrade of the fire safety business in Guangdong Province. The Group also pioneered a new model of “equipment + finance + service” for the fire and rescue vehicle business, and gradually expanded such model to other parts of China.
- The automated logistics systems business: benefiting from core technologies including automated sorting, the integrating capacity of our logistics systems has seen enhancement with a higher number of orders of medium-to-large size and high-tech projects. Meanwhile, we strengthened optimization and integration of our internal resources, lowered costs and raised efficiency and shortened the delivery cycle, thereby further enhancing our profitability.
- The smart parking equipment business: during the Reporting Period, multi-storey public car park with new energy power supply for buses was the first to obtain certification in China. The Group had carried out various reliable tests, rectification, improvement and verification based on the completed sample car park, and was steadily proceeding with pilot projects. Meanwhile, the Group also has mechanical multi-storey public car parks for small cars with independent intellectual property rights.

Heavy Truck Business

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

In 2018, the State Council promulgated “Three-Year Action Plan for Winning the Battle for a Blue Sky” and local governments across the country responded by adopting policies that restrict and prohibit vehicles of GB III emission standard, and setting up subsidy standard for old diesel trucks to accelerate the pace of vehicle replacement and upgrade. In response to the policy for GB VI emission standard, lots of automobile enterprises exerted efforts in developing GB VI products, adopted de-stock measures to their existing vehicle models by introducing preferential policies, thus boosting sales volume of heavy trucks in 2018 to some extent. Furthermore, according to the “Three-Year Action Plan for Major Transportation Infrastructure Construction Projects”, key projects covering railways, highways, waterways, airports and urban rail transports were launched in 2018 nationwide. Large-scale infrastructure initiatives led to huge amount of construction projects, thus increasing the demand for construction vehicles and dump trucks. In terms of tractors, affected adversely by the market overdraft (the sales volume of tractors in 2017 reached the highest point of cumulative sales for the past 4 years, namely 583,300 units) and the low road freight rate in 2017, the sales volume in 2018 decreased by 17% from the previous year.

C&C Trucks received orders for 8,606 vehicles and sold 8,333 vehicles in 2018 (2017: accumulated actual sales volume was 8,710 vehicles), representing a year-on-year decrease of 4.33%, which was mainly due to the impact of the overall decline in the tractor market. During the Reporting Period, C&C Trucks recorded a sales revenue of RMB2.488 billion (2017: RMB2.566 billion), representing a year-on-year decrease of 3.04%.

In respect of domestic markets, in 2018, C&C Trucks stuck to the strategy for the development of natural gas-powered heavy trucks, realized the delivery of the first batch of LNG clean energy muck trucks in Shenzhen, and launched light-weight mixer trucks with obvious advantages in Guangdong. Our market share in many regions of China continued to rise. In the meantime, C&C Trucks adhered to the “market-oriented” principle in 2018, continued to improve management, hence ensuring delivery performance. Additionally, fixed period after-sales services were extensively carried out, significantly increasing customer satisfaction. The company also achieved breakthroughs in local markets and brand influence began to take shape. Good faith cooperation has been taken forward while business cooperation with certain low-integrity channels has been terminated.

In respect of international markets, in 2018, C&C Trucks continued the business model focusing on the sale and delivery of both fully-assembled vehicles and individual components, and, taking the “Belt and Road Initiative” as the main line, strived to expand new dealer channels along the route while maintaining the existing market. The previous situation dominated by exclusive distributor channels has changed to one that nurtured constructive competition from multiple distributors in the same market through reasonable product licencing. All these help laying a solid foundation for the development of key markets for international business in 2019.

Logistics Service Business

The logistics service business of the Group focuses on four core business lines including container service, equipment logistics, marine transport and project logistics as well as rail-water intermodal transport, and holds the strategic mission of “becoming a cross-border comprehensive logistics solution service provider emphasising ‘equipment + service’”.

In 2018, economic and trade frictions between China and the United States brought uncertainty to global trade recovery featuring a slowdown in global commodities circulation

Industrial City Development Business

The Group's industrial city development business is operated mainly through its controlled subsidiary Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. ("CIMC Skyspace Real Estate") and its subsidiaries. The principal activities include the development of complexes in industrial cities and development and operation of industrial parks, etc.

In 2018, CIMC Skyspace Real Estate, a non-wholly-owned subsidiary of the Group, achieved remarkable breakthroughs in land reserve and project advancement. It obtained land parcels located in Shanghai, Shenzhen and Yunnan, respectively, and with the successive finalization of various project plans and advancement of construction works, it paves the way for future profit growth of the Group. In January 2018, CIMC Skyspace Real Estate acquired a parcel of land designated for leasehold housing in Luodian Town, Baoshan District, Shanghai, with a total gross floor area of approximately 91,500 square meters, on which residential housing will be constructed and held for lease. In June 2018, CIMC Skyspace Real Estate acquired the industrial land No. A621-0043 in Guangming New District with a total gross floor area of approximately 138,700 square meters. The project has been activated in full swing, and the land will be used to construct the first world-class low orbit satellite IoT industrial park in China. On 26 September 2018, CIMC Skyspace Real Estate successfully won the large parcel of residential community land of Meiluo Home located in Luodian Town, Baoshan District, Shanghai, with a total gross floor area of approximately 468,500 square meters through a public auction and listing process organized by the Shanghai Land and Resources Bureau. The land will be built into a comprehensive urban center of Baoshan District encompassing commercial, office, residential and recreational facilities. On 30 September 2018, the groundbreaking ceremony of the Qianhai project was held, and the project had since entered the stage of rapid advancement. In November 2018, CIMC Skyspace Real Estate succeeded in acquiring a land lot located in Taiziwan, Shekou, Shenzhen by means of capital injection. Throughout the year 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 our sustainable business development.

In 2018, the Group's real estate development business sold 336,000 square meters (2017: 158,000 square meters) of floor area, realizing a revenue of RMB2,893 million (2017: RMB1,007 million), representing a year-on-year increase of 187.37%, and net profit of RMB564 million (2017: RMB192 million), representing a year-on-year increase of 193.15%, which was mainly due to projects acquired this year derived substantial profits.

In 2018, CIMC Skyspace Real Estate underwent significant adjustments in development strategy, organisation structure and other areas. Accordingly, the company set up an industrial business department and a development business department, with an aim of enhancing its industrial park operation capabilities through building "Six Major Centres" (including industry research centre, planning and design centre, investor introduction service centre, financial service centre, incubation acceleration centre and operation service centre) and fostering "Nine Major Capabilities" (including industry research capability, planning and design capability, investor introduction service capability, financial service capability,

technical service capability, management service capability, marketing capability, government relation service capability and human resource capability). The company also established Shenzhen Tianji Industrial City Investment Development Co., Ltd., a joint venture platform for industrial parks, and introduced strategic partners engaged in urban renewal in order to strengthen its resources and capabilities regarding industrial park operation services and urban renewal.

Financial Business

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

In 2018, as China continued to maintain a prudent and neutral monetary policy and continuously strengthened financial regulatory policies, combined with the lasting effect of financial de-leveraging, the growth rate of money supply continued to decline, and total social financing showed negative growth. Under the attitude of the central bank supporting the real economy and guiding the downward trend of long-term interest rates, the money market rates showed a general downward trend after four targeted reserve requirement ratio cuts, while the transmission mechanism of monetary policies still faced obstacles. The corporate financing costs remained high, but the rising momentum of average loan costs has been contained.

In 2018, the Group's financial business achieved revenue of RMB2.092 billion (2017: RMB2.341 billion), representing a year-on-year decrease of 10.61%, and net profit of RMB557 million (2017: RMB992 million), representing a year-on-year decrease of 43.83%, which was mainly due to the decrease in rental income of offshore engineering platforms and rising financing costs.

In 2018, in light of the strict regulatory environment in the domestic economic and financial markets, on the one hand, CIMC Financial Leasing Company further deepened "the integration of industry and finance", set up specialised subsidiaries to enhance the integration of industry and finance of various business segments under the Group, further optimised the business layout and asset portfolio, improved the quality of customer base and assets, and explored and cultivated emerging businesses with weak cyclicity, low risks and relevant to the existing businesses of the Group. On the other hand, it continued to consolidate the foundation, strengthen basic skills, continuously optimize and improve the comprehensive risk management system, strictly observe the bottom line of risk control and adhere to the strategy of "quality first, strict risk control". Meanwhile, it established and maintained positive cooperation with external financial institutions, and continuously broadened external financing channels. In June 2018, CIMC Financial Leasing Company successfully launched the off-balance-sheet leasing asset-backed securities, opened up the financing channel of leasing assets and secured funding resources required for the company's development in

an innovative way. Throughout the year, the new business volume has remained stable, the business portfolio continued to be optimized, and the overall risk management capability has been significantly improved.

In 2018, CIMC Finance Company adhered to the industry development trend of the Group, further strengthened the service-oriented concept, and persisted in its function of serving the Group, the industrial chain and the real economy. The industrial chain financing including the credit business for buyers achieved rapid development and provided strong support for the Group's business. In 2018, CIMC Finance Company completed capital increases of nearly RMB650 million, which became an important initiative for the implementation of the Group's strategy of "manufacturing + financing + service". In 2018, CIMC Finance Company's new financial investment in total amounted to RMB13.95 billion, effectively providing financial support for industrial development. In 2018, CIMC Finance Company actively took the following measures to enhance its business capacity: (1) It continued to improve the level of its financial services, formulated specialised financial service plans tailored to the characteristics of industrial development and deepened the integration of industry and finance, in an effort to enhance the efficiency and effectiveness of the Group's capital utilisation. (2) It actively expanded the credit business for buyers to enhance the overall competitiveness in terms of industrial development; it was granted the qualifications of trading in derivatives on behalf of customers, which lowered the Group's costs associated with foreign exchange transactions; and it was directly linked with the Shanghai Commercial Paper Exchange, which improved its operation capacity with respect to commercial papers. (3) In respect of risk prevention and control, taking the Group as a whole, CIMC Finance Company fully implemented the policy requirements of regulatory authorities for risk prevention, strengthened primary and secondary risk management, strictly adhered to the bottom line of risk control, strengthened the awareness in risk management and control, so as to ensure the stable development of the Group's financial business.

O e B e e

Modular Building Business

CIMC Modular Building Investment Company Limited ("CIMC M d a"), a subsidiary of the Group, is engaged in the modular building business, and has formed a one-stop service model of "manufacturing + financing + service" with the integration of industry and finance.

In the domestic market, in 2018, complying with the national policy of developing industrial prefabricated buildings, CIMC Modular's building business has stood out from the competition. As the first granted bid in Xiong'an New Area, the Xiong'an Citizen Service Center project completed a hotel/office project of 30,000 square meters in Xiong'an New Area in less than 100 days, which fully demonstrated the "CIMC Speed". The permanent building of the first modular cloud data center in the world has completed hoisting and capping. In the Hong Kong market, the company became the first to receive a technical access approval from the Hong Kong Buildings Department on the construction method of assembled composite buildings in Hong Kong, and successfully delivered the significant zero carbon emission demonstration project, achieving another zero breakthrough in a market segment.

In the international market, in 2018, besides stabilizing our mature markets in the UK and Australia, the Group further expanded into new markets in various countries and regions including Africa, Northern Europe and Iceland. The UK market, as a more mature market, demonstrated different potentials in three market segments: hotel, student apartment and private residence; demand from the hotel market was strong, and bulk orders have been under way; in the student apartment market, with the student apartment project of the University of Newcastle, UK officially put into use, the market influence of the Group's modular building brand has been increasing; in the private residence apartment market, negotiations with relevant parties of a number of projects have been carried out, and the cooperation intention has been agreed upon. In the Australian and New Zealand market, we have gained official access to the high-rise hotel and governmental public safety service facilities sectors, and with the successful application of fully pre-installed glass curtain walls, the industrialization rate of buildings has reached 95% of the world's leading level. The construction of the Djibouti project in the African market has also been completed. In the Northern Europe and Iceland market, we successfully secured the access qualification, and the order for the first Marriott Hotel project has been signed.

Multimodal Transport Business

In 2018, the Group's multimodal transport network layout and cargo collection and distribution capacity construction continued to advance, the business operation management platform was further optimized, and various business units developed coordinatively. In respect of the railway business, the railway-based inland network layout has covered the main economic regions of China. The Group has launched container trains for over 20 different rail lines in total, had container trains delivery operations in seven of the 18 railway bureaus in China, and had container trains arrival operations in ten of those railway bureaus, and more than 1,000 specialized tank containers have been put into road-rail transport. In respect of the marine transport business, the controllable vessel shipping capacities exceeded 50 ships, and the Group begun to enter the coil steel road-rail transport business. The combination of railway business layout and highway short-distance distribution capability under rapid development has greatly improved the efficiency of door-to-door logistics services.

5.3 B e P e c f e G 2019

5.3.1 Macroeconomic Environment and Policies

In 2019, the uncertainties of economy and trade at home and abroad continued to overlap, and pessimistic expectations on the economic outlook reappeared. The recovery of global economy faced with challenges, the number one risk is still the global trade war, the economy growth in Europe and Japan is still slow, and some emerging economies face debt and exchange rate crises.

5.3.2 Industry Development Trend and Market Outlook

I e e c f e c a e a f a c b e : according to the latest prediction made by CLARKSON (a leading global industry analyst), the growth of global container trade reached 4.5% in 2018 and is expected to decrease slightly to 4.4% in 2019, but remained at a favourable level. In spite of the high growth of 5.7% in 2018, the growth of shipping capacity will decrease to 3.1% in 2019, the oversupply in the container transportation market may be relieved. As a result, it is predicted generally that customers are expected to maintain a constant willingness to purchase containers, but the demand for containers in 2019 will fall back from the record high in 2018.

Industry Outlook : according to the Frost & Sullivan Report, global sales are predicted to pick up gradually driven by the expected economic recovery in China and Europe. In 2019, the number of semi-trailers sold is expected to reach 378,000 units in China; North America will witness a decline in the CAGR to 0.6% over the 2017-2022 period as predicted; Europe is expected to record a CAGR of 2.6% during the period from 2017 to 2022.

Industry Outlook : as China enters the golden period for natural gas development, the import volume of natural gas, in particular LNG, will maintain relatively rapid growth. This segment will continue to adhere to the strategy of internal optimization, capacity integration and business collaboration, consolidate and continue to expand the comprehensive capacity of key equipment manufacturing, engineering services and solution offerings in natural gas storage infrastructure, transportation equipment and applications, deploying along the whole natural gas industrial chain. The chemical environment segment will continue to focus on providing chemical logistics solutions and one-stop services for customers, so as to further consolidate its leading position in the global market. At the same time, in response to China's solid waste and hazardous waste management needs, this segment will develop its environmental protection equipment manufacturing and system integration capabilities, and actively explore business opportunities in relation to environmental protection management. In the future, the liquid food segment will focus on developing existing businesses in existing markets, continuously introducing innovative products and services, and further exploring emerging markets with existing equipment and services, so as to maintain continuous growth.

Industry Outlook : in 2019, it is expected that oil prices will be slowly climbing and the investment in oil and gas exploration and development will steadily increase whilst still under pressure. It is expected that the demand in the drilling platform market in 2019 will still be limited, characterized by overall oversupply, gradual balancing and local shortage. Market segments of the offshore engineering business (such as LNG module, FPSO and FSRU (Floating Storage and Regasification Unit) markets are embracing new strong growth drivers.

Industry Outlook : in 2019, it is predicted that the global airport business will still maintain steady growth, and it is expected that the boarding bridge and peripheral business and the GSE business will benefit as China opens up more airspace. The fire and rescue equipment business will also grow steadily as there is a visible trend in merger, acquisition and consolidation in the global fire safety industry, with lifting and specialty vehicles as the main profitable points. The automated logistics business will continue to grow with further improvements in smart technology applications. The parking industry is favorably backed by policy-support. It is evident from the policies rolled out by pilot cities that proposals to develop multistory parking will be feasible and effective. In addition, the level of smart technology applications in various industries has also been gradually improving. The garage business is expected to achieve a major breakthrough in 2019, because the newly developed three-dimensional bus garage business is expected to bring a new market.

Industry Outlook : in 2019, under the influence of the international landscape, there is a great uncertainty in the macro-economy, with the domestic economy focusing on structural adjustment. With the continuously heightened environmental laws and regulations, the start of the blue sky protection campaign, and the strict implementation of policies such as overload and overlimit control, the national heavy truck market in 2019 will set off a new upsurge of emission upgrading. To this end, in 2019, the demand for

replacing tractors and urban construction muck trucks will be released in advance, and the demand for GB VI natural gas heavy trucks and new energy heavy trucks will usher in new opportunities. In addition, affected by various factors, the domestic heavy truck market in 2019 will maintain the stable development trend in recent years. The total sales volume of the industry is expected to be 800,000 to 900,000 vehicles, which will decline by approximately 20% compared with the sales volume in 2018. In particular, there will be different degrees of decline in the market segment demand for the four major categories, i.e. tractor, cargo truck, dump truck and specialty vehicle, especially a greater decline in the cargo and dump truck markets.

I n t e r n a t i o n a l t r a d e e n v i r o n m e n t : in 2019, increasing uncertainties associated with the global trade landscape and the rise of trade protectionism led by the United States have led to certain pressure on China's foreign trade in terms of trade balance. The foreign trade import and export business is still exposed to many constraints. Faced with such risks existing in the external environment, the PRC is undergoing a comprehensive deepening reform and economic restructuring by implementing several national strategies, such as "Belt and Road", "all-round opening up" and "Internet +", all of which will bring opportunities for the development of the logistics industry.

F i n a n c i n g e n v i r o n m e n t : in 2019, affected by the normalization of policy regulation, the financing environment still maintain a tightening trend. With the advancement of the 13th Five-Year Plan and urbanization nationwide, industrial real estate has become the focus of government, enterprises and capital markets. With the support of relevant policies, the gradual transfer of population to the second- and third-tier cities and the scarcity of industrial land in the first-tier cities, the industrial real estate has been transforming from the development mode to the operation mode. It has become a trend to encourage property self-maintenance and cultivate advanced industrial clusters. It is expected that the development of industrial real estate will be in a good trend in the future.

F i n a n c i a l l e a s i n g e n v i r o n m e n t : in 2019, domestic financial leasing enterprises face both challenges and opportunities. On one side, the overall economy is exposed to growth deceleration, and the domestic economy may continue to go down. Leasing companies will shoulder dual pressure and challenges relating to capital and assets in their operations. On the other side, financial leasing companies will return to the origin of leasing business, focusing on the synergy from the integration of industry and finance, creating specialized and differentiated competitive advantages based on leasing items. In 2019, with the gradual emergence of the impact of trade frictions, increasing downward pressure on the domestic economy, stable growth gradually takes on heightened importance, the monetary policy will undergo a transformation from "Monetary Easing" to "Credit Easing". The central bank is expected to implement moderate to loose and structurally loose monetary policies. However, other factors such as deleveraging, risk prevention and international monetary policy tightening cycle have limited the room for easing.

5.3.3 Overall Operation Targets and Initiatives for Main Business Segments

Looking forward, in 2019, the Group will persist in its strategic positioning of "Manufacturing + Financing + Service", continue to promote the transformation and upgrade of its businesses, and extend its manufacturing segment toward the service segment based on customer needs. The Group will also continue to improve its global operating capabilities, optimise its businesses and assets, accelerate the clustering of industries, and develop competitive advantages in its industrial chain. In terms of technological upgrade, business model and management mechanism, the Group will strive for constant innovation and risk control. The Group will also strive to grasp changes in the market and complete the layout of its emerging industries and innovative businesses in order to achieve sustainable quality growth.

I e e c f e c a e a f a c b e : in 2019, for the container mature business, the Group will continue to implement the national strategy of transformation and upgrading of traditional industries. It will increase efforts on investment in research and development and equipment investment, and improve the level of intelligent container manufacturing and green development. The Group will also improve its ability to manage mature businesses through the implementation of EPR projects, in order to strengthen and enhance its competitive edge and industry position in the container manufacturing business. In respect of major project investment, the Group will strive to complete the construction of the entire phase I of the new factory project located in Fenggang, Dongguan as planned and put it into use in 2019. In respect of new business expansion, the Group will quicken its pace of the commercialisation of certain old factories or idle land. Through the combination of the industrial fund investment incubation model and the external equity direct investment model, the Group will actively explore and develop business areas related to the container mature business, such as cold chain equipment and logistics equipment, so as to grasp new business opportunities.

I e e c f e a d a a e c e b e : in 2019, CIMC Vehicles will continue to develop new products and improve product features by strengthening global operations and digitizing production processes. It will consolidate its leading position in the global semi-trailer market through the establishment of an agile organization for digital manufacturing and operations and continuously capturing new business opportunities with growth potential. In China, the Group will continue to construct the new production plant of the demonstrative Yangzhou Plant, expand the existing production lines of chassis trailers, curtain-side trailers and fence trailers in the demonstrative Zhumadian Plant, and upgrade the chassis flatbed trailers of the Liangshan Plant and the tank trailers of the Wuhu Plant, thus accelerating the production schedule and improving efficiency. In the North Btioc0.5(imp 6(r)0.through

Industrial Offshore Business : in 2019, the Group will continue to accelerate the transformation and expansion of its offshore engineering business, expanding its oil and gas business into relevant diversified businesses, as well as establishing a business structure that can restrain product volatility. In the future, the Group will focus on breakthroughs in seven market directions (including vessel operation and management; traditional offshore engineering business; polar market; production platform module business; offshore gas, wind, nuclear power generation; deep-sea and offshore fishery and sea tourism), creating new champion products in these market segments, expanding traditional offshore engineering FPSO and module business, as well as vigorously developing clean energy businesses, such as LNG, power barge/FSRU and wind power boat businesses, along with other emerging businesses including offshore fishing and deep-sea tourism.

Industrial Airport Facilities Business : in 2019, on the basis of strengthening the airport facilities business, the Group will put more efforts on the two main lines of automation and urbanisation, by focusing on developing the fire and rescue business and further diversifying the application scenarios of the automated logistics business. For example, the Group will strengthen the life cycle management of the products of the two core businesses, namely airport facilities equipment and fire and rescue equipment, improve the service system and expand broader service business with informatization and big data and pay equal attention to service and manufacturing, so as to increase greatly the proportion of service business in sales revenue, and seek potential value improvement space along the industrial chain to the service and consumption terminals on the basis of its own manufacturing upgrades; the Group will also increase the bidding strength in the US through improved marketing and service, and strive to make the breakthrough and obtain orders. For the fire and rescue business, it will continue with strategic mergers and acquisitions, industrial layout and synergetic integration to achieve increases in business scale and efficiency, practice the strategic ideas which are generated from the domestic “Going Out and Bringing In” strategy, and introduce foreign advanced technologies and facilities into the domestic market. The Group will further enhance its aerial lift capabilities to meet the construction demand from urbanisation. The Group will increase its automated logistics manufacturing level, improve delivery ability, keep aware of cutting-edge technologies, and further propel the implementation of the multi-storey parking complex. Also, the Group will further build a comprehensive human resource system, improve team’s professional level and keep strengthening its risk control capability. Moreover, the Group will also expand our market presence on the basis of merger, acquisition and consolidation, enhancing the effectiveness of interaction between Sino-Europe markets and Sino-U.S. markets.

Industrial Equipment Business : in 2019, C&C Trucks will fine-tune its management policy as “market orientation, risk prevention, scale priority and quality growth”. In 2019, C&C Trucks will be committed to increasing product sales, conscientiously increasing production economies of scale, constantly enlarging market share, and conscientiously improving product recognition. It will build reliable quality, create a benign partnership, and promote its performance to grow along with partners. In 2019, C&C Trucks will adopt the following key measures to ensure the implementation of strategies and the successful realization of annual business objectives, which include construction of marketing channels and ability improvement, collection and control of accounts receivable, construction of a competitive financial system, disposal of inefficient assets and risk prevention, cost reduction, and cultivating of a team atmosphere of mutual trust, inclusiveness and cohesion.

I e e c f e c e c e b e : in 2019, facing changes in the internal and external environments, the Group will take it as a strategic mission to become a cross-border comprehensive logistics solution provider in the logistics services industry, centering on “equipment + service” and furthering strategic focuses and structure optimization. Relying on the comprehensive logistics solutions with the core competitiveness in building trunk transport capacity, the Group aims to achieve steady growth despite the severe economic situation. For the pursuit of business optimization and development, the Group will enhance the capacity in providing comprehensive logistics solutions, and strive to become a leading logistics service provider in niche fields. In line with the national “Belt and Road” strategy, the Group will rapidly complete its global network layout; based on the organization model of “control by group, construction by segments and operation by enterprises directly in-charge”, it will actively promote the optimization of segmental organizations and the construction of core teams. The Group will focus on digital construction to speed up digital transformation, construct the information platform and assist in the business upgrade. The Group will focus on optimizing the asset structure and disposing of inefficient assets. To prevent and control significant risks, the Group will carry out key tasks, including investment and merger and acquisition management, health, safety and environment (HSE) management and internal control and audit.

I e e c f e d a c e d e e b e : in 2019, the industrial city development business will actively promote the implementation of major projects and various tasks of the Group in Shenzhen, Shanghai and other first-tier cities through the adjustment of the strategic organizational structure and development strategies, based on its own advantageous resources. Meanwhile, it will actively seek for first-tier cities with promising prospects or push forward asset-light projects in the vicinity of first-tier cities, further realizing the strategic policy of “prioritizing both light and heavy”. It is expected that in 2019, the performance of the industrial city development business will enter a period of rapid growth.

I e e c f e f a c a b e : in 2019, CIMC Financial Leasing Company will continue to adhere to the two-wheel drive, for one thing, further deepening the synergy of industry and finance to continuously enhance the business development of existing subsidiaries; for another, insisting on independent development and driving business upgrade and model innovation to maintain the steady growth of business. Meanwhile, the company will continue to optimize the overall risk management system, gradually build a diversified financing system and financing capacities, strengthen the operation efficiency and service capabilities of the mid-and-back offices. It aims to improve information technology management and achieve steady and high quality growth. In 2019, CIMC Finance Company will, by centering on the operating philosophy of “providing quality services, keeping bottom line, optimisation and improvement, achieving quality growth”, regard customer focus as the starting point of all tasks, and ensure its development with risk management and control and team building, striving to achieve customer satisfaction, shareholder satisfaction and employee satisfaction. CIMC Finance Company will, leveraging its four-role strategic positioning, i.e. as a global capital operator, integrated financial service provider, collaborator for implementing group strategies and value creator for the synergy of industry and finance, boost industrial development and provide financial support for the development of various industries of the Group.

5.3.4 Main Risk Factors for Future Development of the Group

R f e c c e d c f c a : 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.

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

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

F c a f f a c a a e a d f e e c a e : the presentation currency of the consolidated statements of the Group is RMB. The Group's foreign 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 RMB internationalisation, and under the backdrop of constant volatility in the global financial market, the exchange rate of the RMB against the USD will fluctuate with increased frequency and volatility, thus making it more difficult for the Group to manage its foreign currencies and capitals.

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

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

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

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

Revenue Analysis by Segment and Region

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

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Segment	2018		2017		Year-on-year change
	Revenue	Percentage in total revenue	Revenue	Percentage in total revenue	
Containers	31,536,221	33.73%	25,046,697	32.83%	25.91%
Road transportation vehicles	24,399,718	26.10%	19,520,664	25.58%	24.99%
Energy, chemical and liquid food equipment	14,162,800	15.15%	11,846,200	15.53%	19.56%
Offshore engineering	2,433,598	2.60%	2,485,417	3.26%	(2.08%)
Airport facilities equipment	4,671,147	5.00%	3,596,511	4.71%	29.88%
Logistics services	8,628,262	9.23%	8,195,452	10.74%	5.28%
Financial business	2,092,384	2.24%	2,340,641	3.07%	(10.61%)
Industrial city development	2,893,205	3.09%	1,006,792	1.32%	187.37%
Heavy trucks	2,487,666	2.66%	2,565,745	3.36%	(3.04%)
Others	4,231,489	4.53%	3,119,337	4.09%	35.65%
Combined offset	(4,038,868)	(4.32%)	(3,423,526)	(4.49%)	(17.97%)
Total	93,497,622	100.00%	76,299,930	100.00%	22.54%

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

: B

Region (b) (see e)	2018		2017		Year-on-year change
	Revenue	Percentage in total revenue	Revenue	Percentage in total revenue	
China	44,558,488	47.66%	32,769,171	42.95%	35.98%
America	23,406,096	25.03%	18,482,055	24.22%	26.64%
Europe	17,439,309	18.65%	18,029,736	23.63%	(3.27%)
Asia (excluding China)	6,533,782	6.99%	5,412,665	7.09%	20.71%
Others	1,559,947	1.67%	1,606,303	2.11%	(2.89%)
Total	93,497,622	100.00%	76,299,930	100.00%	22.54%

In 2018, by region, the revenue from China, Asia (excluding China) and America has recorded an increase, while the revenue from Europe and other regions has reported a decrease. For detailed analysis, please refer to the section headed “5.2 Review of the Principal Businesses of the Group during the Reporting Period” herein.

Cost of Sales, Gross Profit and Gross Profit Margin Analysis by Segment

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

Segment	2018		2017	
	Cost of sales	Percentage in total cost of sales	Cost of sales	Percentage in total cost of sales
Containers	28,572,800	35.90%	21,145,197	33.94%
Road transportation vehicles	20,995,009	26.38%	15,938,947	25.59%
Energy, chemical and liquid food equipment	11,495,407	14.44%	9,647,457	15.49%
Offshore engineering	2,685,104	3.37%	2,518,136	4.04%
Airport facilities equipment	3,776,955	4.75%	2,847,120	4.57%
Logistics services	7,900,530	9.93%	7,406,255	11.89%
Financial business	1,235,282	1.55%	896,293	1.44%
Industrial city development	1,520,242	1.91%	581,956	0.93%
Heavy trucks	2,321,010	2.92%	2,433,272	3.91%
Others	3,927,853	4.94%	2,933,122	4.71%
Combined offset	(4,843,784)	(6.09%)	(4,055,040)	(6.51%)
Total	79,586,408	100.00%	62,292,715	100.00%

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

Segment	2018		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Containers	2,963,421	9.40%	3,901,500	15.58%
Road transportation vehicles	3,404,709	13.95%	3,581,717	18.35%
Energy, chemical and liquid food equipment	2,667,393	18.83%	2,198,743	18.56%
Offshore engineering	(251,506)	(10.33%)	(32,719)	(1.32%)
Airport facilities equipment	894,192	19.14%	749,391	20.84%
Logistics services	727,732	8.43%	789,197	9.63%
Financial business	857,102	40.96%	1,444,348	61.71%
Industrial city development	1,372,963	47.45%	424,836	42.20%
Heavy trucks	166,656	6.70%	132,473	5.16%
Others	303,636	7.18%	186,215	5.97%
Combined offset	804,916		631,514	–
Total	13,911,214	14.88%	14,007,215	18.36%

In 2018, the Group's cost of sales amounted to RMB79,586 million (2017: RMB62,293 million), representing a year-on-year increase of approximately 27.76%; the overall gross profit margin amounted to 14.88% (2017: 18.36%), decreased comparing with the same period of the previous year. Out of all segments, the energy, chemical and liquid food equipment, industrial city development and heavy trucks segments saw an increase in their gross profit margins, the gross profit margin of the airport facilities equipment, logistics services, containers, road transportation vehicles, offshore engineering and financial business segments recorded a decline. For specific analysis, please refer to the section headed "5.2 Review of the Principal Businesses of the Group during the Reporting Period" in the Announcement.

Non-operating Income

In 2018, the Group's non-operating income amounted to RMB374.891 million (2017: RMB622.421 million), representing a year-on-year decrease of 39.77%, mainly due to the relocation compensation payment for the Prince Bay project included in the data for the same period last year.

Research and Development Expenses

In 2018, the Group's research and development expenses amounted to RMB993.416 million (2017: RMB651.729 million), representing a year-on-year increase of 52.43%, mainly due to the increased investment in technology research and development by the Group during the Reporting Period.

Sales Expenses

In 2018, the Group's sales expenses amounted to RMB1,744.260 million (2017: RMB2,926.718 million), representing a year-on-year decrease of 40.40%, mainly due to the reclassification of the freight charges in cost of sales to operating costs according to the new revenue standard during the Reporting Period.

General and Administrative Expenses

In 2018, the Group's general and administrative expenses amounted to RMB5,158.990 million (2017: RMB4,830.325 million), representing a year-on-year increase of 6.80%.

Financial Expenses-net

In 2018, the Group's financial expenses amounted to RMB1,158.896 million (2017: RMB1,446.321 million), representing a year-on-year decrease of 19.87%, mainly due to the increase in net exchange gains.

Provisions for Asset Impairment and Losses

In 2018, the Group made provisions for asset impairment and losses totalling RMB2,819.708 million (2017: RMB880.764 million), representing a year-on-year increase of 220.14%, mainly due to the provision for impairment of offshore engineering assets made by the Group is larger than the actual impairment during the Reporting Period.

Income Tax Expenses

In 2018, the income tax expenses paid by the Group amounted to RMB2,615.103 million (2017: RMB1,250.826 million), representing a year-on-year increase of 109.07%, mainly due to the corresponding income tax provision made for the Qianhai project and the reservation and acquisition and relocation compensation payment for the Qingdao land during the Reporting Period. Please refer to note 10 to “8 Financial Report” in the Announcement for details.

Profits Attributable to Minority Shareholders

In 2018, the Group’s profits attributable to minority shareholders amounted to RMB688.019 million (2017: RMB649.173 million), representing a year-on-year increase of 5.98%, mainly due to changes in the profitability of subsidiaries with minority shareholders.

Cash Flows

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

	: B		
I e	2018	2017	Year-on-year change
Sub-total of cash inflows of operating activities	96,239,347	80,669,385	19.30%
Sub-total of cash outflows of operating activities	96,098,615	76,204,554	26.11%
Net cash flows from operating activities	140,732	4,464,831	(96.85%)
Sub-total of cash inflows of investing activities	2,980,266	11,250,029	(73.51%)
Sub-total of cash outflows of investing activities	7,382,196	13,019,586	(43.30%)
Net cash flows from investing activities	(4,401,930)	(1,769,557)	(148.76%)
Sub-total of cash inflows of financing activities	79,488,047	62,750,173	26.67%
Sub-total of cash outflows of financing activities	70,192,281	66,287,326	5.89%
Net cash flows from financing activities	9,295,766	(3,537,153)	362.80%
Net increase/(decrease) of cash and cash equivalents	<u>5,089,896</u>	<u>(895,810)</u>	<u>668.19%</u>

During the Reporting Period, the Group’s net cash flows from operating activities decreased by 96.85% as compared with the same period of last year, which was mainly due to the land premium of the Shanghai Baoshan project of the Group recorded in the cash paid for goods and services. Net cash flows from investing activities decreased 148.76% as compared with the same period of last year, which was mainly due to the increase of cash paid by the Group for purchasing long-term assets (including fixed assets, engineering under construction and etc.); Net cash flows from financing activities increased 362.80% as compared with the same period of last year, which was mainly due to the increase of cash flows from financing activities (including acquisition of borrowings, issuance of bonds and etc.) during the Reporting Period as compared with the same period of last year.

Liquidity and Financial Resources

The Group's cash at bank and on hand primarily consist of cash and bank deposits. As at 31 December 2018, the Group's cash at bank and on hand amounted to RMB9,729,152 million (31 December 2017: RMB5,596.314 million), representing a year-on-year increase of 73.85%, mainly due to the newly consolidated Prince Bay project companies at the end of 2018. The Group's cash at bank and on hand primarily consist of cash and bank deposits which are mainly denominated in RMB and US dollars.

The Group's development funds primarily consist of cash derived from operation, bank loans and other borrowings. The Group's cash demands mainly come from production and operation, payment of matured liabilities, capital expenditure, payment of interests and dividends, and other unexpected cash demands. The Group has always adopted prudent financial management policies and maintained sufficient and appropriate amount of cash on hand to repay the bank loans due and ensure the development of our businesses.

Bank Loans and Other Borrowings

As at 31 December 2018, the Group's short-term borrowings, non-current borrowings due within one year, debentures payable due within one year, long-term borrowings, debentures payable and other current liabilities (issuance of super & short-term commercial papers/commercial notes) amounted to a total of RMB62,267.518 million (31 December 2017: RMB52,014.876 million).

	31 December 2018	31 December 2017
Short-term borrowings	19,898,221	15,317,347
Non-current borrowings due within one year	5,593,749	3,982,626
Debentures payable due within one year	7,986,500	hand to re
Debentures payable due within one year	1,082,626	

The Group's issued debentures are mainly denominated in RMB, with the interest payments computed using fixed rates. As at 31 December 2018, the remaining fixed-rate debentures issued by the Group amounted to RMB10,005.775 million (31 December 2017: RMB7,986.500 million). The maturity date of debentures is mainly distributed within one to three years.

Other Equity Instruments

	31 December 2017	Issued in the year	Interest-bearing at face value	Payment in the year	Other increase in the year	31 December 2018
15 CIMC MTN001	2,033,043	-	51,900	(2,103,800)	18,857	-
18 Hai Yun Ji Zhuang MTN002	-					

On 4 December 2018, the Company issued an unsecured perpetual debt with amount of RMB2 billion at face value (“18 renewable corporate bond (Tranche I)”). The net amount after deducting the issue fee was RMB1,994,340,000. The equity instrument are issued for general corporate finance purposes. The first three interest-bearing years of the equity instrument is accrued at an interest rate of 4.85% per annum and are paid annually from 5 December 2019 and the Company can choose a deferred interest payment. From the fourth interest-bearing year, the coupon rate is reset every 3 years. The equity instrument have no fixed expiry dates and may be redeemed by the Company on or after 5 December 2021 at their nominal value, together with a payment of any accrued, unpaid or deferred interest for every 3 interest-bearing years.

Capital Structure

The Group’s capital structure consists of equity interests attributable to shareholders and liabilities. As at 31 December 2018, the Group’s equity interests attributable to shareholders amounted to RMB52,402.988 million (31 December 2017: RMB43,237.434 million); the total liabilities amounted to RMB106,480.975 million (31 December 2017: RMB87,366.945 million) and the total assets amounted to RMB158,883.963 million (31 December 2017: RMB130,604.379 million). As at 31 December 2018, the gearing ratio of the Group was 67.02% (31 December 2017: 66.89%), representing a year-on-year increase of 0.13%. The gearing ratios were calculated based on our total liabilities as at the respective dates divided by our total assets. The Group is committed to maintain an appropriate combination of equity and liability, in order to maintain an effective capital structure and provide maximum returns for shareholders.

Foreign Exchange Risk and Relevant Hedge

The Group receives majority of its business revenue in U.S. dollars, while most of its expenditure is made in RMB. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a basket of currencies. However, RMB is still regulated under capital account. As the exchange rates of RMB are affected by domestic and international economic and political situations, and demand for and supply of RMB, and the future exchange rates of RMB against other currencies may vary significantly from the current exchange rates, the Group is exposed to potential foreign exchange risk arising from the exchange rate fluctuation in RMB against other currencies, which may affect the Group’s operating results and financial condition. ~~The management of the Group constantly monitors its foreign exchange risk closely and take appropriate measures to avoid foreign exchange risk.~~

Interest Rate Risk

The Group is exposed to the market interest rate change risk relating to its interest-bearing bank loans and other borrow.16(anoak)10(e r TfGroup i.h -1.1.167 5(T)8d Rcemnimi.08 cha(gua

Credit Risk

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

Capital Commitments

As at 31 December 2018, the Group had capital expenditure commitments of approximately RMB2,010.583 million (31 December 2017: RMB142.718 million), which was mainly used for fixed assets purchase contracts entered into but not performed or performed partially, external investment contracts entered into but not performed or performed partially and vessels manufactured for sales or lease. Please refer to note 14 to "8 Financial Report" in the Announcement for details.

Pledge of Assets

As at 31 December 2018, restricted assets of the Group amounted to a total of RMB9,741.784 million (31 December 2017: RMB9,815.725 million), with details summarised as follows:

	31 December 2017	Increase in current year	Decrease in current year	Conversion impact of foreign currency statement	31 December 2018
- Cash at bank and on hand	1,353,836	254,486	(410,509)	-	1,197,813
- Notes receivable	72,475	37,981	(27,493)	-	82,963
- Other current assets	21,060	118,026	(21,060)	-	118,026
- Long-term receivables	8,015,023	543,147	(751,230)	368,540	8,175,480
- Fixed assets	353,331	2,196	(188,025)	-	167,502
Total	<u>9,815,725</u>	<u>955,836</u>	<u>(1,398,317)</u>	<u>368,540</u>	<u>9,741,784</u>

The restricted cash at bank and on hand were security deposits, and deposits in the People's Bank of China by the Finance Company, a subsidiary of the Group. Notes receivables are used for pledge for letter of guarantee and pledge for pool of notes. The restricted other current assets are discounted notes that have not yet expired and are subject to recourse. Long

Significant Investments and Major Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

C a a e	Ma b e	Ma Acq	P e ade a a e ba a ce ee da e	E f e e f e e ee e d b e C a	I e e ade e Re Pe d (B)
CIMC-TianDa Holdings Company Limited (“CIMC-TianDa” formerly known as China Fire Safety Enterprise Group Limited (“CFE”))	The manufacture and sales of passenger boarding bridges, airport group support equipment, automated vehicle parking systems, fire engines and fire prevention and fighting equipment; the provision of engineering and computer software solutions.		Completed	51%	1,242,520.00
Shenzhen Taiziwan Shangrong Real Estate Co., Ltd.	Engaged in real estate development and operation on land legally acquired		Completed	49%	1,548,666.81
Shenzhen Taiziwan Shangtai Real Estate Co., Ltd.	Engaged in real estate development and operation on land legally acquired		Agreement signed	49%	1,620,346.99
Shenzhen Shangqi Real Estate Co., Ltd.	Engaged in real estate development and operation on land legally acquired		Completed	51%	2,551,180.60
Shenzhen Leyi Real Estate Co., Ltd.	Engaged in real estate development and operation on land legally acquired		Completed	51%	599,918.42

During the Reporting Period, the Group did not have any significant investment or major disposal of subsidiaries, associated companies and joint ventures.

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

The Group's operating and capital expenditures are mainly financed by our own funds and external financing. Concurrently, the Group will take a prudent attitude in order to enhance its future operating cash flow. According to the changes in economic situation and operating environment, as well as the needs of the Group's strategic upgrade and business development, the capital expenditure of the Group is expected to be approximately RMB8.380 billion in 2019, mainly used in the acquisition of fixed assets, intangible assets and long-term assets etc. The Group will consider various types of financing activities to meet future capital expenditure and working capital requirements.

Contingent Liabilities

As at 31 December 2018, the Group had no contingent liabilities (31 December 2017: approximately RMB125.286 million).

Use of Proceeds

As at 31 December 2015, the Company has issued a total of 286,096,100 new H shares to COSCO Container Industries Limited, Broad Ride Limited and Promotor Holdings Limited at HK\$13.48 per H Share, and the proceeds raised were approximately HK\$3,857 million (equivalent to approximately RMB3,228 million). All the proceeds raised by the Company have been fully used in 2017.

Employees and Remuneration Policies

As at 31 December 2018, there were approximately 51,253 employees of the Group (31 December 2017: approximately 50,689) in the PRC. The total staff cost during the Reporting Period, including directors' remuneration, contribution to the retirement benefit schemes and share option incentive schemes, amounted to approximately RMB8,839.348 million (2017: approximately RMB7,402.385 million).

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

Employee Training Programme

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

Employee Pension Scheme

The Group has provided employees with basic pension insurance arranged by local labour and social security bureaus. The Group makes monthly contributions to the pension insurance at the applicable rates and based on the amounts in compliance with local rules. When employees retire, the local labour and social security bureaus are responsible for the payment of the basic pension benefits to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognised as liabilities during the accounting periods when the employees render services and are charged to profit or loss or capitalised in costs of related assets.

Share Option Incentive Scheme

The implementation of share option incentive scheme is helpful for the Group to establish an interest sharing and restraint mechanism among the directors, the management and the core employees, by which the management can better balance its short-term and long-term goals, attract and retain talented management candidates and core employees and stimulate sustainable value of incentives which will serve to guarantee the stable development of the

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

Upon the consideration and approval at the 8th meeting of the seventh session of the Board in 2015, the second exercisable period for the First Tranche of Share Options has met the exercise conditions on 12 May 2015 and its actual exercisable period was from 2 June 2015 to 27 September 2020 with the total exercisable options amounting to 39,660,000 options. Upon the consideration and approval at the 14th meeting of the seventh session of the Board in 2015, the second exercisable period for the Second Tranche of Share Options has met the exercise conditions on 9 October 2015 and its actual exercisable period was from 24 October 2015 to 27 September 2020 with the total exercisable options amounting to 4,132,500 options. As at 27 July 2018, upon the consideration and approval at the 11th meeting of the eighth session of the Board in 2018 and the implementation of the annual dividend distribution plan of the Company for 2017, the adjusted option exercise price for the First and Second Tranche of Share Options is RMB10.22/option and RMB15.75/option, respectively. For relevant information about the participants, the number of exercisable options and the option exercise prices, please refer to the announcements published by the Company on Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.cimc.com) on 13 May 2015, 9 October 2015 and 27 July 2018.

During the Reporting Period, the total share options exercised under the above mentioned A share(s) option incentive scheme amounted to 2,099,800 options, representing 3.59% of the total (adjusted), among which: 1,150,800 share options were exercised for the First Tranche of Share Options, and 949,000 share options were exercised for the Second Tranche of Share Options. As at 31 December 2018, the total share options exercised under the above mentioned A share(s) option incentive scheme cumulatively amounted to 26,264,285, representing 44.86% of the total (adjusted). The implementation of the above mentioned A share(s) option incentive scheme has and will have no significant impact on the financial conditions and operating results of the Company during the Reporting Period and in the future.

Market Risks

For details of the Group’s market risks, please refer to “5.3.4 Main Risk Factors for Future Development of the Group” of “5.3 Business Prospects of the Group in 2019” in the Announcement.

Dividend Distribution

Based on the Group's 2018 operating results and taking into account the Group's overall financial position and cash flows, the Board recommended a final dividend of RMB5.5 for every 10 shares (including applicable taxes) for the year of 2018, no bonus shares will be issued, and additional 2 new shares will be issued to all shareholders for every 10 shares being held by way of conversion of capital surplus. The proposed dividend is expected to be payable on or around 30 June 2019. The proposed distribution plan of the final dividend of 2018 is subject to the shareholders' approval at the forthcoming annual general meeting of the Company for the year of 2018.

7 SIGNIFICANT EVENTS AND SUBSEQUENT SIGNIFICANT EVENTS

- 7.1** During the Reporting Period, the Company engaged PricewaterhouseCoopers as its auditor and internal control auditor. The total remuneration in respect of the audit and internal control audit work during the Reporting Period was RMB15.15 million, mainly including the provision of auditing and internal control services for the Company's needs.
- 7.2** On 15 January 2018, Ms. Yang Rong, the former general manager of the capital management department, resigned due to personal reasons. As considered and approved at the 1st meeting in 2018 of the eighth session of the Board of the Company, the Company merged with the former financial management department and the capital management department, and Mr. Zeng Han was appointed as the general manager of the combined financial management department. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-003 and [CIMC]2018-004), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 15 January 2018.
- 7.3** On 9 March 2018, the Company published an announcement regarding its decision to terminate the Non-public Issuance of A Shares initiated in April 2016, and its application to the CSRC for the withdrawal of the relevant application documents for the Non-public Issuance of A Shares. As of the date of this announcement, the application for the termination has been approved by the CSRC. For more information in relation to the Non-public Issuance of A Shares, please refer to the relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2016-061, [CIMC]2016-072, [CIMC]2017-002, [CIMC]2017-024, [CIMC]2017-033, [CIMC]2017-084, [CIMC]2018-002, [CIMC]2018-013 and [CIMC]2018-021), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 15 October 2016, 22 November 2016, 17 January 2017, 21 April 2017, 9 June 2017, 19 December 2017, 11 January 2018, 9 March 2018 and 26 March 2018.

- 7.4 On 12 March 2018, upon consideration and approval at the 5th meeting in 2018 of the eighth session of the Board of the Company, the Company proposed to issue not more than 343,315,321 overseas listed foreign shares (i.e. H Shares) pursuant to the general mandate as considered and approved at the 2016 annual general meeting convened on 9 June 2017. On 30 August 2018, the Company issued an announcement on the approval from the CSRC of the application for the issuance of additional H Shares. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-014, [CIMC]2018-015 and [CIMC] 2018-070), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 12 March 2018 and 30 August 2018.
- 7.5 On 12 March 2018, upon consideration and approval at the 5th meeting in 2018 of the eighth session of the Board of the Company, CIMC Transportation Equipment (International) Holdings Limited, a wholly-owned subsidiary of the Company, sold its 44.94382% equity interest in Shouzhong Investment Management Co., Ltd to Shouzhong (Hong Kong) Limited, a wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited, and Shougang Concord International Enterprises Company Limited shall issue consideration shares to settle the consideration. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-016), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 12 March 2018.
- 7.6 On 27 March 2018, as considered and approved at the 6th meeting of the eighth session of the Board of the Company of 2018, the Company appointed Mr. Gao Xiang as the executive vice president of the Company, appointed Mr. Li Guiping and Mr. Huang Tianhua as the vice president of the Company, and appointed Mr. Yu Yuqun as the vice president and the Board and Company secretary of the Company. Mr. Liu Xuebin, Mr. Yu Ya and Mr. Zhang Baoqing, all being former vice presidents of the Company, have been redesignated as senior consultants of the Company. On 9 August 2018, Mr. Li Guiping resigned due to work reasons. After resigning from the above position, Mr. Li Guiping will remain as the director, CEO and the president of CIMC Vehicles, a subsidiary of the Company. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-030 and [CIMC]2018-065), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 27 March 2018 and 9 August 2018.
- 7.7 On 27 March 2018, as considered and approved at the 6th meeting in 2018 of the eighth session of the Board of the Company, the Company would prepare its financial statements for the year of 2017 and subsequent periods in accordance with the "Notice on Revising and Issuing the Format of Financial Statements for General Enterprises" (Cai Kuai [2017] No. 30), and would adopt the newly revised "Accounting Standards for Business Enterprises No. 14 – Revenue", "Accounting Standards for Business Enterprises No. 22 -Recognition and Measurement of Financial Instrument", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting", "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" and "Interpretation of No. 9-12 of the Accounting Standards for Business Enterprises". For relevant information, please refer to the announcements

published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-026), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 27 March 2018. Please also see "3.1 Retrospective Adjustment to or Restatement of the Accounting Data for Prior Years by the Company due to Change of Accounting Policies and Correction of Accounting

- 7.10 On 29 March 2018, as considered and approved at the 6th meeting in 2018 of the eighth session of the Board of the Company, the Company and COSCO SHIPPING Development Co., Ltd. entered into the Supplementary Agreement to the Supply of Commodity Framework Agreement, agreeing to increase the annual caps of daily connected transactions/ continuing connected transactions for 2018 and 2019 between the two parties to RMB4.60 billion and RMB5.00 billion respectively. On 8 June 2018, the annual general meeting for 2017 considered and approved the proposal. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2016-071, [CIMC]2018-027, [CIMC]2018-035 and [CIMC]2018-051), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 12 November 2016, 27 March 2018, 29 March 2018 and 8 June 2018.
- 7.11 On 23 April 2018, the transaction regarding the disposal of the equity interest in Pteris by the Group to CFE was completed. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2017-082, [CIMC]2018-009, [CIMC]2018-034 and [CIMC]2018-043), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 4 December 2017, 9 February 2018, 28 March 2018 and 23 April 2018.
- 7.12 On 31 May 2016, the Resolution Regarding the Registration and Issuance of Medium Term Notes (including perpetual medium term notes) and Super & Short-term Commercial Papers in the PRC was approved at the 2015 annual general meeting of the Company, approving the issuance by the Company of super & short-term commercial papers with a size of not more than RMB15 billion. On 21 June 2016, the Company made an application for registration to the National Association of Financial Market Institutional Investors, and received the Notice of Acceptance of Registration (Zhong Shi Xie Zhu No. [2016] SCP206) issued by the National Association of Financial Market Institutional Investors on 28 July 2016. On 20 June 2018, the Company completed the issuance of the first tranche of the super & short-term commercial papers of the Company for 2018 (the "T a c e I S e & S - e C e c a P a e ") with issuance amount of RMB1 billion and annual interest rate of 4.3%. On 3 July 2018, the Company completed the issuance of the second tranche of the super & short-term commercial papers of the Company for 2018 (the "T a c e II S e & S - e C e c a P a e ") with issuance amount of RMB1 billion and annual interest rate of 4.25%. On 11 July 2018, the Company completed the issuance of the third tranche of the super & short-term commercial papers of the Company for 2018 (the "T a c e III S e & S - e C e c a P a e ") with issuance amount of RMB2 billion and annual interest rate of 4.10%. The first tranche and second tranche of super & short-term commercial papers were due on 23 October 2018. The Company has completed the repayment of the first tranche and second tranche of super & short-term commercial papers on the maturity date, respectively. Tranche III Super & Short-term Commercial Papers were due on on 13 November 2018. The Company has completed the repayment of the third tranche of super & short-term commercial papers on the maturity date. On 26 October 2018, the issuance of the second tranche of the medium term notes of the Company for 2018 (perpetual medium term notes, the "T a c e II Med Te N e ") was completed. The Tranche II Medium Term Notes was issued at par value with a size of RMB2.0 billion which shall mature when the Company is required to redeem them in accordance with the terms of the issuance. The coupon rate for the first three interest-bearing years shall be 5.17%. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2016-033, [CIMC]2018-054, [CIMC]2018-055, [CIMC]2018-057, [CIMC]2018-093, [CIMC]2018-098 and [CIMC]2018-108), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 31 May 2016, 20 June 2018, 3 July 2018, 11 July 2018, 23 October 2018, 26 October 2018 and 13 November 2018.

7.13 On 8 June 2018, the Resolution Regarding Financial Institutions Credit Facility and Project Guarantee Provided to the Subsidiaries of the Company in 2018 was considered and approved at the annual general meeting for 2017 of the Company, consenting the Company to provide financial institutions credit facility and project guarantee to its wholly-owned subsidiaries, non-wholly-owned subsidiaries and associated companies of the Company in 2018 and consenting the subsidiaries of the Company to provide financial institutions credit facility and project guarantee to their parent company and to their wholly-owned subsidiaries, holding subsidiaries and associated companies in 2018. Total balance of guarantee in 2018 shall not exceed RMB40 billion (effective for the twelve-month period from the date of the annual general meeting for 2017 on which the relevant resolution was considered and approved, including guarantees between the Company and its subsidiaries, guarantees provided by subsidiaries to their subsidiaries, external guarantees provided by the Company and its subsidiaries) and the project guarantee limit was RMB35 billion. On 6 September 2018, the 15th meeting in 2018 of the eighth session of the Board of the Company considered and approved the Resolution Regarding the Credit Guarantee Provided by CIMC Enric Holdings Limited and Its Holding Subsidiaries to Their Customers and the Resolution Regarding the Credit Guarantee Provided by CIMC Modern Logistics Development Co., Ltd. and Its Holding Subsidiaries to Their Customers. Provided that the total guarantee limit for subsidiaries including CIMC Enric and CIMC Modern Logistics Development Co., Ltd. (“CIMC L c”) considered and approved at the annual general meeting for 2017 remains unchanged, it is intended to add the credit guarantees from banks and non-bank financial institutions provided by the two subsidiaries and their holding subsidiaries to their customers in the guarantee list, with an aim to promote the sustainable development of the Company’s business and to achieve a win-win situation between the Company and its distributors and customers. On 26 September 2018, the proposal was considered and approved at the Company’s second extraordinary general meeting for 2018. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Securities Times, Shanghai Securities News, Cninfo website (www.cninfo.com.cn) and the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-022, [CIMC]2018-028, [CIMC]2018-037, [CIMC]2018-051, [CIMC]2018-075, [CIMC]2018-080 and [CIMC]2018-082), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 27 March 2018, 29 March 2018, 8 June 2018, 6 September 2018, 21 September 2018 and 26 September 2018.

7.14 On 8 June 2018, the Company considered and approved the Resolution Regarding the Registration and Issuance of Medium Term Notes (including Perpetual Medium Term Notes) and Super & Short-term Commercial Papers at the annual general meeting for 2017, among others, which approved the issuance by the Company of medium term notes with a size of not more than RMB6.0 billion, perpetual medium term notes with a size of RMB4.0 billion and super & short-term commercial papers with a size of RMB8.0 billion. On 17 October 2018, the issuance of the first tranche of the medium term notes of the Company for 2018 (the “T a c e I Med Te N e”) was completed. The Tranche I Medium Term Notes was issued at par value with a size of RMB2.0 billion at a coupon rate of 4.29%. On 2 November 2018, the issuance of the fourth tranche of the super & short-term commercial papers of the Company for 2018 (the “T a c e IV S e & S - e C e c a Pa e”) was completed. The proceeds from the issuance of the Tranche IV Super & Short-term Commercial Papers were fully received on 5 November 2018. The Tranche IV Super & Short-term Commercial Papers was issued with a size of RMB1.0 billion at an interest rate of 2.75% (annualized). On 26 November 2018, the issuance of the fifth tranche of the super & short-term commercial papers of the Company for 2018 (the “T a c e V S e & S - e C e c a Pa e”) was completed and the proceeds from such issuance

were fully received on the same date. The Tranche V Super & Short-term Commercial Papers was issued with a size of RMB1.0 billion at an interest rate of 3.12% (annualized). On 30 January 2019, the Company completed the issuance of the first tranche of super & short-term commercial papers for 2019. The proceeds raised from the issuance were fully received on 30 January 2019. The issuance amount was RMB1.5 billion and the issue rate was 2.95% (annualized). For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-040, [CIMC]2018-041, [CIMC]2018-051, [CIMC]2018-091, [CIMC]2018-101, [CIMC]2018-110 and [CIMC]2019-005), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 23 April 2018, 8 June 2018, 17 October 2018, 5 November 2018, 26 November 2018 and 30 January 2019.

- 7.15** The first redemption date of the 2015 first tranche of medium term note of the Company is 16 June 2018 (postponed to the next business day if the date falls on festivals or holidays). On 16 June 2015, the Company issued the 2015 first tranche of medium term note with a size of RMB2.0 billion, a term maturing upon redemption by the issuer at the time as agreed in the issue term, a coupon rate of 5.19% for the preceding three years of interest calculation and a value date that starts from 16 June 2015. The Company has exercised the redemption right of the 2015 first tranche of medium term note at principal plus accrued interest and redeemed bonds held by holders in full on 19 June 2018, i.e. the third interest payment date of such bonds, and thus completing the principal and interest repayment of the 2015 first tranche of medium term note. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-053), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 19 June 2018.
- 7.16** On 20 July 2018, Shenzhen Southern CIMC Containers Manufacture Co., Ltd., CIMC Logistics, being wholly-owned subsidiaries of the Company, as well as Shenzhen CIMC-Tianda Airport Support Co., Ltd. and CIMC Enric (Jingmen) Energy Equipment Co., Ltd., being non-wholly-owned subsidiaries of the Company, proposed to make capital increase to CIMC Finance Company, a wholly-owned subsidiary of the Company, with a total size of RMB649,464,307.58 ("Ca a I c e a e"). The registered capital of CIMC Finance Company is proposed to increase by RMB420,000,000.00 and the remaining portion exceeding the amount of increase in registered capital will all be credited to the capital reserve of CIMC Finance Company. Upon consideration and approval at the 10th meeting in 2018 of the eighth session of the Board of the Company, it is agreed to approve the Capital Increase and waive the Company's preferential subscription right in relation to the Capital Increase. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-059 and [CIMC]2018-060), as well as the relevant announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 20 July 2018.
- 7.17** On 9 August 2018, as considered and approved by the 12th meeting in 2018 of the eighth session of the Board of the Company, the Resolution Regarding the Proposed Overseas Listing of CIMC Vehicles (Group) Co., Ltd. was approved. The Company proposed to spin off and list its subsidiary CIMC Vehicles on the Main Board of the Hong Kong Stock Exchange. The independent directors of the eighth session of the Board have expressed their independent opinions on the relevant resolution. On 14 August 2018, the Company published further announcement on preparations relating to the spin-off and overseas listing of a subsidiary of

the Company, CIMC Vehicles, on the Hong Kong Stock Exchange. On 14 September 2018, the Company published an announcement in relation to the plan of restructuring CIMC Vehicles into a joint stock company with limited liability. This proposal was considered and approved at the second extraordinary general meeting for 2018, the first A shareholders' class meeting for 2018 and the first H shareholders' class meeting for 2018 on 26 September 2018. Pursuant to relevant regulatory requirements, CIMC Vehicles received the CSRC's Acceptance Notice of the Application for Administration Permission on 3 December 2018 (acceptance no: 181913). The CSRC reviewed the application materials for the administrative permission for overseas listing of CIMC Vehicles, it considered that the application materials were complete and decided to accept the application for the administrative approval. On 21 December 2018, the Company applied to the Hong Kong Stock Exchange for approval of the proposed spin-off and separate listing of CIMC Vehicles on the Main Board of the Hong Kong Stock Exchange in accordance with the Practice Note 15 of the Listing Rules of the Stock Exchange. The Hong Kong Stock Exchange has confirmed that the Company may proceed with the proposed spin-off and listing. On 27 December 2018, CIMC Vehicles submitted a listing application (Form A1) to the Hong Kong Stock Exchange through its sole sponsor, Haitong International Capital Limited, to apply for approval of the listing of, and permission to deal in, the H shares of CIMC Vehicles on the Main Board of the Hong Kong Stock Exchange. On 14 March 2019, CIMC Vehicles received the Approval on the Issuance of Overseas Listed Foreign Invested Shares of CIMC Vehicles (Group) Co., Ltd. (Zheng Jian Xu Ke [2019] No. 356) from the CSRC, approving the issuance of overseas listed foreign invested shares by CIMC Vehicles. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-064, [CIMC]2018-067, [CIMC]2018-078, [CIMC] 2018-082, [CIMC] 2018-116, [CIMC] 2018-118, [CIMC] 2018-120 and [CIMC] 2019-009), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 August 2018, 14 August 2018, 14 September 2018, 26 September 2018, 4 December 2018, 21 December 2018, 27 December 2018 and 14 March 2019 and the circular published on 5 September 2018.

- 7.18** On 7 September 2018, in order to further improve the Company's debt structure, broaden the Company's financing channels, meet the Company's capital needs, and reduce the Company's financing costs, the Company issued an announcement regarding the proposed application for the public issuance of corporate bonds (including renewable corporate bonds) to qualified investors. The proposal was considered and approved at the second extraordinary general meeting for 2018 on 26 September 2018. On 30 November 2018, the Company published the Announcement on the Public Offering of Renewable Corporate Bonds (Tranche 1) and related prospectus. On 3 December 2018, the Company published the announcement in respect of book building period of renewable corporate bonds (tranche 1). On 4 December 2018, the Company published the announcement on the coupon rate of renewable corporate bonds (tranche 1). On 6 December 2018, the Company published the Announcement on the Results of Offering of Renewable Corporate Bonds (Tranche 1). On 28 December 2018, the Company published the Announcement on the Listing of Public Offering of Renewable Corporate Bonds (Tranche 1). The actual issuance size of the bonds is RMB2 billion and the final coupon rate is 4.85%. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-074 and [CIMC]2018-082), as well as the relevant announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 7 September 2018, 26 September 2018, 30 November 2018, 3 December 2018, 4 December 2018, 6 December 2018 and 28 December 2018.

- 7.19** On 26 September 2018, Shenzhen CIMC Zhicheng Enterprise Development Co., Ltd. (“CIMC Zhicheng”), a direct wholly-owned subsidiary of the Company, took part in a bidding in respect of the land use rights of the 0208-02, 0209-01, 0210-01, 0213-01, 0214-01, 0215-01, 0219-02, 0220-02 land lot in Unit 02, Meiluo Home Large Residential Community, Luodian Town, Baoshan District, Shanghai between 17 September 2018 and 26 September 2018 pursuant to the relevant requirements of the Shanghai State-Owned Construction Land Use Right Grant Announcement (Hu Gao Zi [2018] No. 110) and successfully won the bidding at the price of RMB4,101,550,000, and the relevant agreement was signed on 30 September 2018. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-081 and [CIMC]2018-086), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 26 September 2018 and 30 September 2018.
- 7.20** On 27 September 2018, the Resolution Regarding the Acquiring of Prince Bay Projects through Public Tender by Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. was considered and approved at the 17th meeting in 2018 of the eighth session of the Board of the Company, which approved the four Controlled Subsidiaries of the Company (“Proposed Bid Companies”) established jointly by CIMC Skyspace Real Estate, the controlled subsidiary of the Company, and CIMC Group Containers Holdings Co., Limited, a wholly-owned subsidiary of the Company, to bid for a portion of equity interest of four wholly-owned subsidiaries (“Target Companies”) of the related party of the Company, China Merchants Shekou Industrial Zone Holdings Co., Ltd. (“CMSK”), at a total final bid price of RMB6,320,112,820 by means of capital injection at China Beijing Equity Exchange Co., Ltd. respectively. On 12 November 2018, this transaction has been considered and approval at the Company’s third extraordinary general meeting for 2018. China Merchants (CIMC) Investment Limited and its related persons, as the related shareholders, abstained from voting on the relevant resolutions at the extraordinary general meeting. On 23 November 2018, the Company received the “Notification of Signing Transaction Agreements” issued by China Beijing Equity Exchange Co., Ltd. On 30 November 2018, the four Proposed Bid Companies signed a capital injection agreement with CMSK and four target companies, respectively. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-083, [CIMC]2018-084, [CIMC]2018-105, [CIMC]2018-109 and [CIMC]2018-114), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 27 September 2018, 12 November 2018, 23 November, 2018 and 30 November 2018.
- 7.21** To cater for the construction and development plan of Jiaozhou New Industrial Zone (膠州市產業新區), Qingdao CIMC Reefer Container Manufacture Co., Ltd. and Qingdao CIMC Special Reefer Co., Ltd. (hereinafter collectively referred to as the “Qingdao Base”), the wholly-owned subsidiaries of the Company, has entered into the Relocation and Compensation Agreements on Recovery of the State-owned Land Use Rights in Jiaozhou City (《膠州市收回國有土地使用權補償拆遷協議書》) with Jiaozhou Land Reserves Coordination Centre (膠州市土地儲備整理中心) on 21 November 2016 and 4 September 2017 respectively. On 27 July 2018, in order to further supplement and specify the provisions under the previous compensation agreements, the Company entered into the Cooperation Contract on Establishment of the CIMC Hi-tech Cold Chain Industrial Park (Supplemental Agreement III) (《關於建設“中集冷鏈高新產業園”合作合同補充協議三》) (hereinafter collectively referred to as the “Cooperation Agreement”) with Jiaozhou Municipal People’s Government. According to the Compensation Agreement, Jiaozhou Land Reserves

Coordination Centre will compensate the Qingdao Base for the reservation and relocation in monetary form for a total of approximately RMB1.5 billion. At 28 September 2018, the Qingdao Base has received reservation and relocation compensation in an amount of approximately RMB591 million. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-087), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 2 October 2018.

7.22 On 22 October 2018, the supervisory committee of the Company received the written resignation from Mr. Zhang Mingwen, the chairman of the supervisory committee. Mr. Zhang Mingwen has tendered his resignation from the position of the chairman of the supervisory committee of the Company due to the change in work arrangement. Mr. Zhang Mingwen's resignation will result in the total number of supervisors of the Company falling below the minimum quorum; therefore, in accordance with the provisions of the Articles of Association, Mr. Zhang Mingwen's resignation will not come into effect until a new supervisor representing shareholders is elected at the general meeting to fill the vacancy. On 26 October 2018, the 6th meeting in 2018 of the eighth session of the supervisory committee of the Company considered and approved the Resolution in Relation to the By-election of Mr. Lin Feng as a Supervisor Representing Shareholders of the Eighth Session of the Supervisory Committee, which approved the by-election of Mr. Lin Feng as a supervisor representing shareholders of the eighth session of the supervisory committee and proposed the relevant resolution to the general meeting for consideration. This resolution has been considered and approval at the Company's third extraordinary general meeting for 2018. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-092, [CIMC]2018-094, [CIMC]2018-095, [CIMC]2018-105 and [CIMC]2018-106), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 22 October 2018, 26 October 2018 and 12 November 2018.

7.23

- 7.24** On 29 November 2018, as considered and approved at the 24th meeting in 2018 of the eighth session of the Board of the Company, it is agreed that a proposal shall be made to the general meeting for a general mandate granted to the Board for repurchase of shares, and the executive directors of the Company or their authorized persons shall be authorized by the Board to handle all matters related to the repurchase of shares at their discretion. The proposal was considered and approved at the Company's first extraordinary general meeting for 2019 and the first A/H shareholders' class meeting for 2019. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-111, [CIMC] 2018-112 and [CIMC] 2019-003), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 29 November 2018 and 15 January 2019.
- 7.25** On 19 December 2018, the Resolution on Participating in the Rights Issue of TSC Group Holdings Limited was considered and approved at the 25th meeting in 2018 of the eighth session of Board of the Company, it is agreed that China International Marine Containers (Hong Kong) Limited, a wholly-owned subsidiary of the Company, participate based on its shareholding of 92,800,000 shares in TSC Group Holdings Limited (renamed as "CMIC Ocean En-Tech Holding Co., Ltd." ("CMIC Ocean En-Tech Holding")) on February 13, 2019) in the rights issue at a ratio of 1:1, and the subscription price is HK\$0.45 and the subscription amount is HK\$41.76 million. The independent directors of the eighth session of the Board of the Company have expressed their independent opinions in this regard. On 24 January 2019, the Group paid a consideration of HK\$41,760,000 and subscribed for 92,800,000 shares of CMIC Ocean En-Tech Holding. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com) (Announcement No.: [CIMC]2018-117 and [CIMC] 2019-004), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 19 December 2018 and 24 January 2019.
- 7.26** In December 2018, CIMC Enric Investment Holdings (Shenzhen) Ltd. ("Enric Shenzhen"), a subsidiary of the Company, received a response notice and other relevant litigation materials from the Jiangxi Province High People's Court, in which, SOEG PTE LTD ("SOEG") requires Enric Shenzhen (1) to pay the remaining amount of RMB153,456,000 for the equity transfer; (2) to bear the attorney fee loss of RMB50,000; and (3) to bear the litigation costs with respect to this case. At the end of the reporting date, the Group had no provision for aforesaid litigation. The aforesaid litigation has no material adverse impact on the Group's daily production and operation, financial status or solvency. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company's website (www.cimc.com), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 31 January 2019.
- 7.27** Shenzhen Southern CIMC Containers Manufacture Co., Ltd. ("Southern CIMC"), a wholly-owned subsidiary of the Company, once entered into the Shenzhen Land Use Right Granting Contract (Shen Di He Zi (2006) No. 0193) as well as the first, second and third supplementary agreements (the "Ocean Container") in respect of the land lot of T102-0152 located at Qianhai, Shenzhen. On 9 October 2017, Southern CIMC entered into the Land Preparation Framework Agreement with Urban Planning, Land & Resources Commission of Shenzhen Municipality (the "Shenzhen UPLRCS") and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen (the "Qianhai

A (””) in respect of the land preparation issues of the land parcels of T102-0152, T102-0153 and T102-0154 located at Qianhai, Shenzhen. Pursuant to the Land Preparation Framework Agreement, Shenzhen UPLRC and the Qianhai Authority agreed to arrange a land parcel of approximately 57,000 square meters as the site for preliminary project of Southern CIMC, of which approximately 36,000 square meters of the land is used as the site for phase I of the preliminary project (the “Phase I Land”). On 19 February 2019, to further supplement on the relevant provisions in the Land Preparation Framework Agreement, Southern CIMC and Qianhai Authority entered into the fourth supplemental agreement to the Shenzhen Land Use Right Granting Contract (Shen Di He Zi (2006) No. 0193), and, at the same time, discharged the Original Contracts on land parcel T102-0152 and ceased to perform the rights and obligations as stipulated therein. On 27 February 2019, the Qianhai CIMC City Property Development (Shenzhen) Co., Ltd. (“Qianhai CIMC City”) and Qianhai CIMC Cloud Property Development (Shenzhen) Co., Ltd. (“Qianhai CIMC Cloud”), the wholly-owned subsidiaries of the Company, have entered into the Shenzhen Land Use Right Granting Contract (Shen Qian Hai Di He Zi (2018) No. 0010) and the Shenzhen Land Use Right Granting Contract (Shen Qian Hai Di He Zi (2019) No. 0001) with the Qianhai Authority in respect of land parcels T102-0289 and T102-0290 of the Phase I Land. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2017-071), [CIMC]2017-072 and [CIMC]2019-007), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 October 2017 and 28 February 2019.

8 FINANCIAL REPORT

8.1 **Effect of Accounting Policy, Accounting Method**

Yes No

The Ministry of Finance promulgated the amended “Accounting Standards for Business Enterprises No. 14 – Revenue” (“New Revenue Standards”), “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument”(hereinafter referred as “New Financial Instrument Standards”) in 2017, and Notice on Revising and Circulating General Corporate Financial Statement Formats (Cai Kuai [2018] No.15) and its interpretations in 2018, the Group has adopted the above standards and notices for preparation of financial statement in 2018, and the adoption of which has following influences on the statements of the Group and the Company:

(1) Revision on the formats of general corporate financial statement

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C e a d e a f c a e acc ce	N a e f a f f e c e d a e e e	A f f e c e d A			
		T e G 31 D e c e m b e r 2017	1 J a n u a r y 2017	T e C 31 D e c e m b e r 2017	a 1 J a n u a r y 2017
The Group consolidated notes receivable and accounts receivable into notes and accounts receivable.	accounts receivable	(16,396,726)	(11,526,075)	-	-
	notes receivable	(1,376,864)	(1,536,191)	-	-
	notes and accounts receivable	17,773,590	13,062,266	-	-
The Group consolidated interests receivable, dividends receivable and other receivables into other receivables.	interests receivable	(19,092)	(9,250)	-	-
	dividends receivable	(4,408)	(41,959)	(4,918,369)	(4,755,818)
	other receivables	23,500	51,209	4,918,369	4,755,818
The Group consolidated fixed assets and disposal of fixed assets into fixed assets.	fixed assets	147,661	130,050	1,117	-
	disposal of fixed assets	(147,661)	(130,050)	(1,117)	-
The Group consolidated notes payable and accounts payable into notes and accounts payable.	accounts payable	(12,216,311)	(10,160,951)	-	-
	notes payable	(1,785,456)	(1,551,582)	-	-
	notes and accounts payable	14,001,767	11,712,533	-	-
The Group consolidated interests payable, dividends payable and other payables into other payables.	interests payable	(377,793)	(303,375)	(89,295)	(75,755)
	dividends payable	(254,434)	(16,746)	-	-
	other payables	632,227	320,121	89,295	75,755
The Group consolidated long-term payables and payables for specific projects into long-term payables	long-term payables	14,127	9,704	-	-
	payables for specific projects	(14,127)	(9,704)	-	-
The Group listed research and development expenses independently, which was originally recognised in general and administrative expenses.	research and development expenses		651,729		40,774
	administrative expenses		(651,729)		(40,774)

(2) *Revenue (Continued)*

C e a d e a f c a e acc ce	Affec ed a e e e	Affec ed A Ja a 1 2018 T e G
Due to the implementation of the New Revenue Standards, the Group reclassified accounts receivable related to installation and engineering project business which does not satisfy unconditional receiving right to contract assets, and its related advances reclassified to contract liabilities	Contract assets -original value Contract assets-impairment provision Inventories Counts receivable-original value Contract liabilities advances	1,277,043 32,714 (1,052,555) (191,774) 4,575,754 (4,575,754)

First implementation of the standard does not have influence on the amount of other related items of financial statement of the Company.

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

B a a c e e e affec ed	Affec ed a 31 Dece be 2018 T e G
Contract assets	1,514,348
Accounts receivable	(226,149)
Inventories	(1,288,199)
Contract liabilities	7,252,088
Advances from customers	(7,252,088)
I c e a e e e affec ed	Affec ed a 2018 T e G
Cost of Sales	1,434,450
Selling and Distribution Expenses	(1,415,731)
Revenue	28,799
Income Tax Expenses	2,520
Net profit	7,560
Including: Equity attributable to shareholders and other equity holders of the Company	5,192
Minority interests	2,368

The implementation of the New Revenue Standards does not have impact on the related items of financial statement of the Company in 2018.

(3) *Financial instruments*

According to relevant requirements of the New Revenue Standards, for accumulated differences from the first implementation of the standard, the Group and the Company 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.

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	<i>G</i>	<i>I</i>	<i>F</i>
	<i>2018:</i>		
S a e d e	O a f a c a e e c a e	C a	N e w f a c a e a d a d
	Mea e e c a e	a e S a e d e	Mea e e c a e C a
	Carrying value	State.5(the Comphhe.116 -1523)]TJ/TAmortis1 Tcost.116(3)3)in22cial in2nci2834s stans (begh pro0 162.97d mr lossor f)(3)	
		Cash at al iatff6.81 ir 2017 0 T4s (begh .9(anTJ(F)4lue)]TJ8ntpro0 ancid mr lossor f)(3)	

(3) *Financial instruments (Continued)*

F
C I 2018:

S a e d e	O f a c a	e e c a e	a d a d	C a	S a e d e	N e f a c a	e e c a e	a d a d	C a
Cash at bank and on hand	Amortised cost			1,366,876	Cash at bank and on hand	Amortised cost			1,366,876
Other receivables	Amortised cost			18,115,511	Other receivables	Amortised cost			18,115,511
Available-for-sale financial assets (including other current assets)	Measured at cost (equity instruments)			388,905	Investments in other equity instruments	Measured at fair value through other comprehensive income			840,249

As at 31 December 2017 and 1 January 2018, the Company did not have financial assets designated as at fair value through profit or loss.

(3) *Financial instruments (Continued)*

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	<i>G</i>	<i>F</i>	<i>C</i>	<i>F</i>	<i>I</i>	<i>2018:</i>
Mea e e ca e e de e Ne F a c a I e						
S a d a d						N e
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 Financial Instruments Standards

	<i>C</i>	<i>Ca da ed</i>	<i>T e C</i>	<i>a</i>
Monetary fund				
31 December 2017	5,596,314		1,366,876	
Less: Transferred to financial assets measured at fair value through profit or loss (New Financial Instruments Standards)	—		—	
1 January 2018	<u>5,596,314</u>		<u>1,366,876</u>	
Receivables (<i>I</i>)				
31 December 2017	38,937,366		18,115,511	
Reclassification adjustment: impact of implementation of New Revenue Standards	(220,573)		—	
Less: Transferred to financial assets measured at fair value through profit or loss (New Financial Instruments Standards)	(21,060)		—	
Remeasurement: Total expected credit losses	(176,889)		—	
1 January 2018	<u>38,518,884</u>		<u>18,115,511</u>	
Total financial assets measured at amortized cost (New Financial Instruments Standards)	<u>44,115,158</u>		<u>19,482,387</u>	

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

(3) *Financial instruments (Continued)*

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G *C*

F *I* 2018: (*C*)

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

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

(3) *Financial instruments (Continued)*

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G F C F I 2018: (C)

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

	C	Ca da ed	a T e C	a
Other debt investments(including other current assets)				
31 December 2017		-		-
Add: Transferred from available for-sale financial assets (original financial instruments standards))	28,661		-
Add: Transferred from accounts receivable (original financial instruments standards))	21,060		-
Remeasurement: Changed from amortised cost to fair value		-		-
1 January 2018		<u>49,721</u>		-
Investments in other equity instruments				
31 December 2017		-		-
Add: Transferred from available for-sale financial assets (original financial instruments standards))	412,920	388,905	
Remeasurement: Changed from cost to fair value		<u>456,344</u>	<u>451,344</u>	
1 January 2018		<u>869,264</u>	<u>840,249</u>	

	C	C
	Ca da ed	T e C a
Available-for-sale financial assets		
31 December 2017	849,581	388,905
Less: Transferred to financial assets measured at fair value through profit or loss from changes in fair value (New Financial Instruments Standards)	(408,000)	–
Less: Transferred to financial assets measured at fair value through other comprehensive income (New Financial Instruments Standards)	(441,581)	(388,905)
	<u> </u>	<u> </u>
1 January 2018	<u> </u>	<u> </u>
	–	–
Total financial assets measured at fair value through other comprehensive income (New Financial Instruments Standards)	<u> 869,264 </u>	<u> 840,249 </u>

- i) A smaller portion subsidiaries of the Group discounted and endorsed part of the bank acceptance notes according to their daily fund management needs. Their 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 RMB21,060,000 to financial assets

(3) *Financial instruments (Continued)*

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- | | <i>G</i> | <i>C</i> | <i>F</i> | |
|--|----------|----------|----------|--------------------|
| | <i>F</i> | | <i>I</i> | 2018: (<i>C</i>) |
- iii) On 31 December 2017, the Group and the Company held unlisted equity investments measured at cost, with a carrying amount of RMB412,920,000 and RMB388,905,000. On 1 January 2018, for strategic investment considerations, the Group and the Company 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 and the Company will adjust the difference of RMB456,344,000 and RMB451,344,000 between the fair value and the original carrying amount to other comprehensive income at the beginning of the period.
- iv) On 31 December 2017, the carrying amount of the non-principal-guaranteed wealth management products with floating profits held by the Group was RMB408,000,000. After the Group implemented the New Financial Instruments Standards, as wealth management products' contractual cash flows characteristics are not consistent with the basic lending arrangement, therefore, on 1 January 2018, the Group reclassified bank wealth management products to financial assets at fair value through profit or loss from available-for-sale financial assets, included it in financial assets held for trading.

(3) *Financial instruments (Continued)*

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	G		F		
	2018:				
	P f e acc da ce	e a f a c a e a da d / E a ed ab e ec ed ba ed c e c	Rec a f ca	Re ea e e	P f e acc da ce e Ne F a c a I e S a da d
Mea e e ca e	a da d				S a da d
Financial assets measured at amortised cost –					
Provision for impairment of notes receivable and accounts receivable	757,177	-	-	78,927	836,104
Provision for impairment of other receivables	396,543	-	-	61,228	457,771
Provision for impairment of debt investments	-	-	-	-	-
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 other current assets	-	-	-	-	-
Provision for impairment of available-for-sale financial assets	3,065	(3,065)	-	-	-
Provision for impairment of contract assets	-	32,714	-	-	32,714
Total	<u>2,021,777</u>	<u>29,649</u>	<u>176,889</u>	<u>2,228,315</u>	

(3) *Financial instruments (Continued)*

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F	C 1	2018:		
		P f e acc da ce		P f e acc da ce
		e a f a c a e a da d / E a ed ab e ec ed ba ed c e c	Rec a f ca	Re ea e e
Mea e e ca e		a da d		I e S a da d
Financial assets measured at amortised cost – Provision for impairment of other receivables		4,560	-	-
Financial assets at fair value through other comprehensive income – Provision for impairment of available-for-sale financial assets		3,065	(3,065)	-
Total		<u>7,625</u>	<u>(3,065)</u>	<u>-</u>
		<u>4,560</u>		<u>-</u>

Due to the implementation of the New Financial Instruments Standards, the Group adjusted the deferred income tax assets of RMB12,934,000 as of 1 January 2018. The affected amount of the relevant adjustments to the equity attributable to shareholders of the parent company in the consolidated financial statements of the Group increased by RMB314,940,000, among which, the surplus reserve was Nil, the undistributed profit decreased by RMB141,404,000, the other comprehensive income increased by RMB456,344,000, and the affected amount of minority interests decreased by RMB22,550,000.

8.5 Financial Statement Presentation – CASBE

8.5.1 Current Assets (audited)

	31 December 2018	31 December 2017	1 January 2017
Assets			
Current assets:			
Cash at bank and on hand	9,729,152	5,596,314	6,325,998
Financial assets held for trading	193,676	–	–
Financial assets at fair value through profit or loss		194,880	141,160
Derivative financial assets	49,055	–	–
Notes receivable and accounts receivable	4 19,319,466	17,773,590	13,062,266
Advance to suppliers	6,861,297	2,147,721	2,165,982
Other receivables	11,276,144	8,283,236	9,399,096
Inventories	27,335,324	19,258,327	17,409,515
Contract assets	1,514,348	–	–
Assets held for sale	197,874	235,309	203,847
Current portion of non-current assets	4,387,886	4,314,250	3,941,689
Other current assets	1,038,737	1,198,296	702,478
Total current assets	81,902,959	59,001,923	53,352,031
Non-current assets:			
Financial assets at fair value through profit or loss		318,534	325,187
Other debt Investment	30,581	–	–
Available-for-sale financial assets		441,581	442,726
Long-term receivables	13,874,369	12,880,540	13,220,242
Long-term equity investments	3,569,900	2,398,495	2,162,217
Investments in other equity instruments	984,155	–	–
Other non-current financial assets	332,081	–	–
Investment properties	1,966,277	1,679,189	1,752,608
Fixed assets	23,188,737	23,088,682	22,167,311
Construction in progress	24,164,814	22,194,585	22,769,189
Intangible assets	4,660,847	4,711,244	4,654,757
Development costs	99,062	67,399	49,990
Goodwill	1,954,985	2,112,445	2,127,893
Long-term prepaid expenses	322,175	205,239	246,574
Deferred tax assets	1,441,267	1,416,637	1,257,670
Other non-current assets	391,754	87,886	86,353
Total non-current assets	76,981,004	71,602,456	71,262,717
Total assets	158,883,963	130,604,379	124,614,748

8.5.1 C da ed Ba a ce S ee (a d ed) (C ed)

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	31 Dece be 2018	31 December 2017	1 January 2017
L ab e a d a e de ' e			
C e ab e :			
Short-term borrowings	19,898,221	15,317,347	15,729,787
Financial liabilities at fair value through profit or loss		3,025	141,806
Derivative financial liabilities	342,726	–	–
Notes payable and accounts payable 5	15,100,613	14,001,767	11,712,533
Advances from customers	132,001	4,624,088	3,780,694
Contract liabilities	7,252,088	–	–
Employee benefits payable	3,096,818	2,713,482	2,115,108
Taxes payable	2,194,085	1,363,986	1,092,030
Other payables	9,336,513	7,486,768	5,474,194
Liabilities held for sale		14,906	–
Provisions	1,083,274	1,214,904	25 Tw Tf4uN84Td29,80

8.5.1 C da ed Ba a ce S ee (a d ed) (C ed)

	31 Dece be 2018	31 December 2017	1 January 2017
S a e de 'e			
Share capital	2,984,989	2,982,889	2,978,577
Other equity instruments	4,007,545	2,033,043	2,049,035
Including: perpetual bonds	4,007,545	2,033,043	2,049,035
Capital reserve	4,128,400	4,209,663	3,126,585
Other comprehensive income	838,711	219,303	357,341
Surplus reserve	3,282,585	3,281,535	3,279,379
Undistributed profits	6 22,082,769	19,734,494	17,495,053
Total equity attributable to shareholders and other equity holders of the Company	37,324,999	32,460,927	29,285,970
Minority interests	15,077,989	10,776,507	9,848,822
T a e f a e de	52,402,988	43,237,434	39,134,792
T a ab e a d a e de '	158,883,963	130,604,379	124,614,748

8.5.2 Balance Sheet as at (added)

	31 December 2018	31 December 2017	1 January 2017
Assets			
Current assets:			
Cash at bank and on hand	1,745,889	1,366,876	2,660,222
Derivative financial assets	4,734	-	-
Other receivables	25,239,000	18,115,511	17,887,234
Other current assets	441	5,771	9,272
Total current assets	<u>26,990,064</u>	<u>19,488,158</u>	<u>20,556,728</u>
Non-current assets:			
Available-for-sale financial assets		388,905	388,905
Investments in other equity instruments	689,273	-	-
Long-term equity investments	11,471,599	9,583,886	9,375,276
Fixed assets	137,939	144,248	102,372
Construction in progress	93,894	56,326	844
Intangible assets	13,949	14,207	14,466
Long-term prepaid expenses	18,867	29,627	40,730
Deferred tax assets	90,569	73,140	52,280
Total non-current assets	<u>12,516,090</u>	<u>10,290,339</u>	<u>9,974,873</u>
Total assets	<u><u>39,506,154</u></u>	<u><u>29,778,497</u></u>	<u><u>30,531,601</u></u>

8.5.2 Balance Sheet as at (ended) (C)

	31 December 2018	31 December 2017	1 January 2017
Liabilities			
Current liabilities:			
Short-term borrowings	6,235,000	350,000	2,710,000
Financial liabilities at fair value through profit or loss		614	65
Employee benefits payable	367,011	291,949	205,760
Taxes payable	15,513	3,094	3,646
Other payables	2,523,517	4,739,876	3,066,559
Provisions		102,524	79,104
Current portion of non-current liabilities	8,886,500	1,095,000	800,000
Other current liabilities	1,000,000	-	-
Total current liabilities	19,027,541	6,583,057	6,865,134
Non-current liabilities:			
Financial liabilities at fair value through profit or loss		-	3,296
Long-term borrowings	1,753,000	1,322,000	1,621,000
Debentures payable	2,000,000	7,986,500	7,986,500
Including: perpetual bonds	1,986,500	1,986,500	1,986,500
Deferred income	18,569	25,171	37,429
Total non-current liabilities	3,771,569	9,333,671	9,648,225
Total liabilities	22,799,110	15,916,728	16,513,359
Equity:			
Share capital	2,984,989	2,982,889	2,978,577
Other equity instruments	4,007,545	2,033,043	2,049,035
Including: perpetual bonds	2,033,043	2,033,043	2,049,035
Capital surplus	3,337,205	3,330,895	3,287,149
Other comprehensive income	344,122	43,754	43,754
Surplus reserve	3,282,585	3,281,535	3,279,379
Undistributed profits	2,750,598	2,189,653	2,380,348
Total equity	16,707,044	13,861,769	14,018,242
Total assets	39,506,154	29,778,497	30,531,601

8.5.3 Consolidated Income Statement (audited) (Continued)

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Item		2018	2017
I. Revenue	7	93,497,622	76,299,930
Less: Cost of sales	7	79,586,408	62,292,715
Taxes and surcharges		955,557	516,723
Selling and distribution expenses		1,744,260	2,926,718
General and administrative expenses		5,158,990	4,830,325
Research and development expenses		993,416	651,729
Financial expenses		1,158,896	1,446,321
Including: Interest expenses		1,928,060	1,148,626
Interest income		590,292	227,261
Asset impairment losses	8	2,425,624	671,341
Credit impairment losses		304,550	-
Add: Other income		386,822	472,626
Investment (loss) income		(82,029)	510,351
Including: Share of profit of associates and joint ventures		166,415	30,675
(Loss)/profit from changes in fair value		(239,620)	111,316
Gain on disposal of assets	9	5,241,911	113,334
II. Operating income		6,477,005	4,171,685
Add: Non-operating income		374,891	622,421
Less: Non-operating expenses		168,338	384,865
III. Tax expense		6,683,558	4,409,241
Less: Income tax expenses	10	2,615,103	1,250,826
IV. Net profit		4,068,455	3,158,415
Continued operations			
Net profit from continued operations		4,068,455	3,158,415
Net profit from discontinued operations			-
Discontinued operations			
Net profit attributable to shareholders and other equity holders of the company		3,380,436	2,509,242
Profit or loss attributable to minority interests		688,019	649,173

8.5.3 Consolidated Income Statement (audited) (Continued)

		in million U.S. dollars	
		2018	2017
V. Other comprehensive income		263,110	(195,798)
Attributable to Shareholders and other equity holders of the Company		163,064	(138,038)
Items that may not be reclassified to profit or loss		(172,827)	–
Changes in fair value of other investments in equity instruments		(172,827)	–
Items that may be reclassified to profit or loss		335,891	(138,038)
Changes in fair value of available-for-sale financial assets			568
Changes in fair value of other debt investments		1,599	–
Gain of cash flow hedges		(1,014)	3,654
Gain/(loss) from the difference between fair value and book value by converting self-use property to investment properties measured with fair value		57,788	5,011
Share of other comprehensive income in the investees to be reclassified to profit or loss in subsequent periods under the equity method			16,448
Transfer of other comprehensive income from the sale of investment properties			(39,086)
Currency translation differences		277,518	(124,633)
Attributable to minority interests		100,046	(57,760)
VI. Tax expense		4,331,565	2,962,617
Attributable to shareholders and other equity holders of the Company		3,543,500	2,371,204
Attributable to minority interests		788,065	591,413
VII. Earnings			
Basic earnings per share (RMB)	11(1)	1.11	0.81
Diluted earnings per share (RMB)	11(2)	1.10	0.81

8.5.4 Income Statement (audited)

	2018	2017
I. Revenue	346,019	331,166
Less: Cost of sales		1,452
Taxes and surcharges	5,507	1
General and administrative expenses	402,347	344,758
Research and development expenses	5,681	40,774
Financial (profit)/expenses	(17,276)	690,060
Including: Interest expenses	698,019	537,640
Interest income	444,985	332,379
Asset impairment losses	88,086	-
Add: Other income	9,672	33,855
Investment income	1,533,768	959,649
Profit from changes in fair value	5,348	2,747
Gain on disposal of assets	25,471	30
	<hr/>	<hr/>
II. Operating income	1,435,933	250,402
Add: Non-operating income	1,360	7,408
Less: Non-operating expenses	8,353	199,564
	<hr/>	<hr/>
III. Tax expense	1,428,940	58,246
Less: Income tax income	(17,429)	(20,860)
	<hr/>	<hr/>
IV. Net income	1,446,369	79,106
Continued operations	1,446,369	79,106
Net profit from discontinued operations		-
	<hr/>	<hr/>
V. Other comprehensive income, net of tax	(150,976)	-
Items that may not be reclassified to profit or loss	(150,976)	-
Changes in fair value of other investments in equity instruments	(150,976)	-
	<hr/>	<hr/>
VI. Total comprehensive income	1,295,393	79,106
	<hr/> <hr/>	<hr/> <hr/>

8.5.5 C da ed Ca F S a e e (a d ed)

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I e	2018	2017
I. Ca f f e a ac e :		
Cash received from sales of goods or rendering of services	90,161,165	76,044,774
Refund of taxes and surcharges	4,403,842	2,743,233
Cash received relating to other operating activities	<u>1,674,340</u>	<u>1,881,378</u>
S b- a f ca f f e a ac e	<u>96,239,347</u>	<u>80,669,385</u>
Cash paid for goods and services	78,645,780	61,590,642
Cash paid to and on behalf of employees	8,454,783	6,210,535
Payments of taxes and surcharges	3,070,197	2,585,689
Cash paid relating to other operating activities	<u>5,927,855</u>	<u>5,817,688</u>
S b- a f ca f f e a ac e	<u>96,098,615</u>	<u>76,204,554</u>
Ne ca f f e a ac e	<u>140,732</u>	<u>4,464,831</u>
II. Ca f f e ac e :		
Cash received from disposal of investments	803,499	9,728,843
Cash received from returns on investments	28,898	58,824
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,096,788	986,733
Net cash received from disposal of subsidiaries	<u>51,081</u>	<u>475,629</u>
S b- a f ca f f e ac e	<u>2,980,266</u>	<u>11,250,029</u>

8.5.5 Cash Flows Statement (Condensed)

	2018	2017
I. Cash paid to acquire fixed assets, intangible assets and other long-term assets	4,846,517	1,707,232
Cash paid to acquire investments	2,479,482	10,748,209
Net cash paid to acquire subsidiaries	<u>56,197</u>	<u>564,145</u>
Sub-total	<u>7,382,196</u>	<u>13,019,586</u>
Net cash outflows	<u>(4,401,930)</u>	<u>(1,769,557)</u>
III. Cash received from capital contributions	659,839	2,803,150
Including: Cash received from capital contributions		
by minority shareholders of subsidiaries	<u>615,343</u>	<u>2,771,957</u>
Cash received from borrowings	70,916,374	59,930,549
Cash received from issue of bonds	6,013,275	-
Cash received relating to other financing activities	<u>1,898,559</u>	<u>16,474</u>
Sub-total	<u>79,488,047</u>	<u>62,750,173</u>
Cash repayments of borrowings	66,659,284	62,807,109
Cash payments for interest expenses and distribution of dividends or profits	3,492,289	2,866,790
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	<u>590,643</u>	<u>396,376</u>
Cash payments relating to other financing activities	<u>40,708</u>	<u>613,427</u>
Sub-total of cash outflows from financing activities	<u>70,192,281</u>	<u>66,287,326</u>
Net cash flows from financing activities	<u>9,295,766</u>	<u>(3,537,153)</u>
IV. Effect of exchange rate changes	55,328	(53,931)
V. Net change/(decrease) in cash and cash equivalents	5,089,896	(895,810)
Add: Cash and cash equivalents at the beginning of the year	<u>5,442,857</u>	<u>6,338,667</u>
VI. Cash and cash equivalents at the end of the year	<u><u>10,532,753</u></u>	<u><u>5,442,857</u></u>

8.5.6 Cash Flow Statement (added)

	2018	2017
I. Cash flow from operating activities:		
Cash received from sales of goods and rendering of services	378,316	274,870
Cash received relating to other operating activities	<u>418,004</u>	<u>2,023,758</u>
Sub-total	<u>796,320</u>	<u>2,298,628</u>
Cash paid to and on behalf of employees	156,252	120,634
Payments of taxes and surcharges	19,181	2,787
Cash paid relating to other operating activities	<u>10,226,607</u>	<u>646,230</u>
Sub-total	<u>10,402,040</u>	<u>769,651</u>
Net cash flow from operating activities	<u>(9,605,720)</u>	<u>1,528,977</u>
II. Cash flow from investing activities:		
Cash received from disposal of investments	500,000	9,500,000
Cash received from returns on investments	702,469	511,092
Net cash received from disposal of fixed assets	27,474	74
Net cash received from disposal of subsidiaries	<u>272,353</u>	<u>50</u>
Sub-total	<u>1,502,296</u>	<u>10,011,216</u>
Cash paid to acquire fixed assets and other long-term assets	46,626	110,485
Cash paid to acquire investments	500,000	9,500,000
Net cash paid to acquire subsidiaries	518,246	81,616
Cash paid relating to other investing activities	<u>58,000</u>	<u>58,000</u>
Sub-total	<u>1,064,872</u>	<u>9,750,101</u>
Net cash flow from investing activities	<u>437,424</u>	<u>261,115</u>

8.5.6 Cash Flow Statement (added)

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Item	2018	2017
III. Cash flow from financing activities:		
Cash received from capital contributions	44,496	31,193
Cash received from borrowings	15,752,000	9,970,000
Cash received from issue of bonds	<u>5,994,000</u>	<u>—</u>
Subtotal	<u>21,790,496</u>	<u>10,001,193</u>
Cash repayments of borrowings	10,631,000	12,334,000
Cash payments for interest expenses and distribution of dividends or profits	1,578,575	806,492
Cash paid relating to other financing activities	<u>27,391</u>	<u>30,960</u>
Subtotal	<u>12,236,966</u>	<u>13,171,452</u>
Net cash flow from financing activities	<u>9,553,530</u>	<u>(3,170,259)</u>
IV. Effect of exchange rate changes	<u>431</u>	<u>427</u>
V. Net change/(decrease) in cash and cash equivalents	385,665	(1,379,740)
Add: Cash and cash equivalents at the beginning of the year	<u>335,730</u>	<u>1,715,470</u>
VI. Cash and cash equivalents at the end of the year	<u><u>721,395</u></u>	<u><u>335,730</u></u>

8.5.7 C da ed S a e e f C a e S a e de ' E (a d ed)

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I e	2018							
	A b a b e	a e	d e a d	e e	d e f e P a e C a			T a
	S a e	O e	C a a c	e e	S U d b e d M a e			d e ' e
I. Balance at 31 December 2017	2,982,889	2,033,043	4,209,663	219,303	3,281,535	19,734,494	10,776,507	43,237,434
Changes in accounting policies				456,344		(146,737)	(24,776)	284,831
II. Balance at 1 January 2018	2,982,889	2,033,043	4,209,663	675,647	3,281,535	19,587,757	10,751,731	43,522,265
III. Movements for the year								
(I) Total comprehensive income								
1. Net profit		77,841				3,302,595	688,019	4,068,455
2. Other comprehensive income	688,019						100,046	77,841
	688,019							163,064

8.5.7 C **da ed S a e e f C a e S a e de ' E (a d ed) (C ed)**

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I e	Note	2017							Total shareholders' equity
		Attributable to shareholders and other equity holders of the Parent Company							
		Share capita	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	
I. Balance at 31 December 2017		2,978,577	2,049,035	3,126,585	357,341	3,279,379	17,495,053	9,848,822	39,134,792
Changes in accounting policies		-	-	-	-	-	-	-	-
II. Balance at 1 January 2018		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 year									
(I) Total comprehensive income									
1. Net profit		-	87,808	-	-	-	2,421,434	649,173	3,158,415
2. Other comprehensive income		-	-	-	(138,038)	-	-	(57,760)	(195,798)
Sub-total of 1&2		-	87,808	-	(138,038)	-	2,421,434	591,413	2,962,617
(II) Capital contributions and withdrawal by owners									
1. Increase in capital resulting from the exercise of share options by the Company		4,312	-	43,746	-	-	-	-	48,058
2. Contributions by minority shareholders		-	-	1,001,904	-	-	-	985,173	1,987,077
3. Increase in minority interests resulting from acquisition or establishment of subsidiaries		-	-	-	-	-	-	91,931	91,931
4. Decrease in capital surplus resulting from acquisition of minority interests of subsidiaries		-	-	(280,185)	-	-	-	(212,453)	(492,638)
5. Disposal of subsidiaries (without loss of control)		-	-	4,869	-	-	-	7,131	12,000
6. Disposal of subsidiaries (loss of control)		-	-	-	-	-	-	75,746	75,746
7. Increase in capital resulting from the exercise of share options by subsidiaries		-	-	(799)	-	-	-	17,273	16,474
8. Increase in shareholders' equity resulting from share-based payments		-	-	10,789	-	-	-	5,535	16,324
9. Reversal of the buyback options granted to minority shareholders		-	-	300,000	-	-	-	-	300,000
10. Issuance of other equity instruments		-	-	-	-	-	-	-	-
11. Redemption of other equity instruments		-	-	-	-	-	-	-	-
12. Others		-	-	2,754	-	-	-	-	2,754
(III) Profit distribution									
1. Appropriation to surplus reserve		-	-	-	-	2,156	(2,156)	-	-
2. Profit distribution to shareholders		-	-	-	-	-	(179,837)	(634,064)	(813,901)
3. Interest paid on other equity instruments		-	(103,800)	-	-	-	-	-	(103,800)
IV. Balance at 31 December 2018		<u>2,982,889</u>	<u>2,033,043</u>	<u>4,209,663</u>	<u>219,303</u>	<u>3,281,535</u>	<u>19,734,494</u>	<u>10,776,507</u>	<u>43,237,434</u>

NOTES:

1. BASIS OF PREPARATION

The financial statements were prepared in accordance with the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the specific accounting standards and the relevant regulations issued thereafter (hereafter collectively referred to as the “**Acc S a d a d f B e E e e**”) 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 on 3 March 2014, certain matters in these financial statements have been disclosed in accordance with the requirements of Hong Kong Companies Ordinance.

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

2. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The 2018 annual financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Consolidated and the Company as of 31 December 2018 and of their financial performance, cash flows and other information for the year then ended.

3. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

4. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Notes receivable (1)	1,423,547	1,376,864
Accounts receivable (2)	<u>17,895,919</u>	<u>16,396,726</u>
	<u><u>19,319,466</u></u>	<u><u>17,773,590</u></u>

(1) Notes receivable

	31 December 2018	31 December 2017
Bank acceptance notes	1,237,458	1,241,308
Trade acceptance notes	186,089	135,556
Less: Provision for bad debts		-
Total	<u>1,423,547</u>	<u>1,376,864</u>

As at 31 December 2018 and 31 December 2017, the Group expected that the notes receivable could be fully recovered, therefore, no provision for bad debts has been made.

Among the above balances, there were no notes receivable from shareholder holding more than 5% (including 5%) of the voting shares of the Company.

The above notes receivable were due within one year.

(a) *As at 31 December 2018, the pledged notes receivable stated in notes receivable and accounts receivable of the Group were as follows:*

	31 December 2018
Bank acceptance notes	<u>82,963</u>

(b) As at 31 December 2018 and 31 December 2017, the Group has no notes reclassified to accounts receivable due to inability of the issuers to perform obligation.

(2) Accounts receivable

Accounts receivable were analyzed by customer category as follows:

	31 December 2018	31 December 2017
Containers	6,852,841	6,761,566
Road transportation vehicles	2,713,628	2,265,036
Energy, chemical and liquid food equipment	3,356,733	3,346,180
Offshore engineering	495,519	699,837
Airport facilities equipment	1,848,944	1,334,724
Logistics services	1,326,322	1,287,373
Heavy trucks	1,060,341	772,761
Others	1,105,053	686,426
Sub-total	18,759,381	17,153,903
Less: Provision for bad debts	(863,462)	(757,177)
Total	<u>17,895,919</u>	<u>16,396,726</u>

(a) The aging analysis of account receivables based on recording dates is as follows:

	31 December 2018	31 December 2017
Within 1 year (inclusive)	16,161,762	15,136,840
1 to 2 years (inclusive)	997,255	1,045,390
2 to 3 years (inclusive)	868,445	796,015
Over 3 years	731,919	175,658
Sub-total	18,759,381	17,153,903
Less: Provision for bad debts	(863,462)	(757,177)
Total	<u>17,895,919</u>	<u>16,396,726</u>

(b) As at 31 December 2018, the combined analysis of the top five accounts receivable balances collected based on default parties was as follows:

	Balance	Provision for bad debts	Percentage
Total amount of the top five accounts receivable balances	<u>4,820,926</u>	<u>-</u>	<u>25.70%</u>

As at 31 December 2017, the total amount of the top five accounts receivable of the Group amounted to RMB3,869,278,000, accounting for 22.56% of the total accounts receivable.

(c) Accounts receivable derecognised due to transfer of financial assets were as follows:

In 2018, the Group did not have accounts receivable derecognised due to transfer of financial assets (2017: the Group had accounts receivable derecognised due to transfer of financial assets of RMB204,979,000, the relevant loss was RMB144,000).

(3) **Bad deb**

	31 Decembe 2018	31 December 2017
Bad debt provision for notes receivable		–
Bad debt provision for accounts receivable	<u>863,462</u>	<u>757,177</u>
	<u><u>863,462</u></u>	<u><u>757,177</u></u>

(a) *As at 31 December 2018, the analysis of notes receivable and accounts receivable with bad debt provision made on a single basis was as follows:*

	B ba a ce	L fe e ECL a e	P f bad deb	Rea e e f	
Bank acceptance notes receivable	1,237,458	–	–		
Trade acceptance notes receivable	186,089	–	–		
Containers	3,558,980	0.66%	23,408	Recognition of provision for losses according to lifetime expected credit losses	
Road transportation vehicles	734,454	9.69%	71,144		
Energy, chemical and liquid food equipment	318,877	33.18%	105,808		
Offshore engineering	471,389	0.25%	1,186		
Airport facilities equipment	58,627	2.41%	1,414		
Logistics services	115,254	2.74%	3,158		
Heavy trucks	610,229	12.32%	75,194		
Others	969,312	2.05%	19,825		
	<u>8,260,669</u>		<u>301,137</u>		

(b) *As at 31 December 2018, the analysis of notes receivable and accounts receivable with bad debt provision made on a collective basis was as follows:*

Portfolio-Bank acceptance notes:

As at 31 December 2018, the Group did not measure the bad debt provision according to the lifetime ECL. The Group believed that the bank acceptance notes s held by it do not have significant credit risk and will not result in significant losses due to bank defaults.

Portfolio-Containers:

	31 Decembe 2018		
	B ba a ce	P f L fe e ECL a e	bad deb A
Not overdue	2,965,562	1.92%	56,832
No more than 1 month overdue	19,558	2.03%	397
1 to 3 months overdue	93,135	2.86%	2,663
3 to 12 months overdue	144,896	7.16%	10,378
1 to 2 years overdue	5,848	8.69%	508
2 to 3 years overdue	20,846	95.00%	19,804
More than 3 years overdue	44,016	100.00%	44,016
	<u>3,293,861</u>		<u>134,598</u>

Portfolio-Road transportation vehicles:

	31 December 2018		
B	balance	Provision	bad debt
	A	Life ECL	A
Not overdue	925,845	–	–
No more than 1 month overdue	814,206	0.47%	3,825
1 to 3 months overdue	81,093	3.32%	2,689
3 to 12 months overdue	86,100	3.32%	2,855
1 to 2 years overdue	19,453	32.01%	6,226
2 to 3 years overdue	32,856	96.14%	31,588
More than 3 years overdue	19,621	99.38%	19,499
	<u>1,979,174</u>		<u>66,682</u>

Portfolio- Energy, chemical and liquid food equipment:

	31 December 2018		
B	balance	Provision	bad debt
	A	Life ECL	A
Not overdue	1,973,909	0.71%	14,015
No more than 1 month overdue	410,475	3.01%	12,355
1 to 3 months overdue	196,549	3.47%	6,820
3 to 12 months overdue	157,596	5.33%	8,400
1 to 2 years overdue	134,504	17.80%	23,942
2 to 3 years overdue	55,059	52.96%	29,159
More than 3 years overdue	109,764	61.73%	67,757
	<u>3,037,856</u>		<u>162,448</u>

Portfolio- Offshore engineering:

The accounts receivable of offshore engineering was RMB24,130,000. The Group believes that there is no significant credit risk.

Portfolio- Airport facilities equipment:

	31 December 2018		
	Balance	Provision for	bad debt
	A	Life ECL	A
Not overdue	585,610	–	–
Within 1 month overdue	609	–	–
1 to 3 months overdue	36,200	–	–
3 to 12 months overdue	1,032,773	5.96%	61,576
1 to 2 years overdue	63,655	23.00%	14,641
2 to 3 years overdue	27,959	50.00%	13,980
More than 3 years overdue	43,511	63.00%	27,412
	<u>1,790,317</u>		<u>117,609</u>

Portfolio- Heavy trucks:

	31 December 2018		
	Balance	Provision for	bad debt
	A	Life ECL	A
Not overdue	324,894	–	–
Within 1 month overdue	–	–	–
1 to 3 months overdue	2,026	–	–
3 to 12 months overdue	35,449	23.92%	8,480
1 to 2 years overdue	11,692	31.63%	3,698
2 to 3 years overdue	11,625	26.25%	3,051
More than 3 years overdue	64,426	51.07%	32,903
	<u>450,112</u>		<u>48,132</u>

Portfolio- Logistics services:

	31 December 2018		
	Book balance	Provision for bad debts	
	A	Life ECL	A
Not overdue	1,000,650	-	-
Within 1 month overdue	84,164	2.00%	1,684
1 to 3 months overdue	35,958	2.82%	1,014
3 to 12 months overdue	53,622	3.34%	1,791
1 to 2 years overdue	17,974	15.82%	2,843
2 to 3 years overdue	13,256	100.00%	13,256
More than 3 years overdue	5,444	100.00%	5,444
	<u>1,211,068</u>		<u>26,032</u>

Portfolio- Others:

	31 December 2018		
	Book balance	Provision for bad debts	
	A	Life ECL	A
Not overdue	62,060	-	-
Within 1 month overdue	19,070	21.06%	4,016
1 to 3 months overdue	729	-	-
3 to 12 months overdue	52,034	5.40%	2,808
1 to 2 years overdue	1,839	-	-
2 to 3 years overdue	9	-	-
More than 3 years overdue	-	-	-
	<u>135,741</u>		<u>6,824</u>

- (c) The provision for bad debts for the year was RMB161,196,000 (2017: RMB229,452,000), of which the amount of bad debts recovered or reversed was RMB62,650,000 (2017: RMB89,260,000).
- (d) The book balance of accounts receivable actually written off during the year was RMB77,013,000 (2017: RMB465,000), and the amount of bad debt provision was RMB77,013,000 (2017: RMB465,000).

5. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and Accounts payable	31 December 2018	31 December 2017
Notes payable (a)	1,889,785	1,785,456
Accounts payable (b)	<u>13,210,828</u>	<u>12,216,311</u>
	<u><u>15,100,613</u></u>	<u><u>14,001,767</u></u>

(a) Notes payable

	31 December 2018	31 December 2017
Bank acceptance notes	1,572,287	1,331,106
Trade acceptance notes	<u>317,498</u>	<u>454,350</u>
Total	<u><u>1,889,785</u></u>	<u><u>1,785,456</u></u>

The above balances were all notes payable due within one year.

(b) Accounts payable

	31 December 2018	31 December 2017
Due to raw materials suppliers	10,758,110	10,124,956
Due to integrated logistics service providers	598,652	559,737
Due to engineering contractors	797,069	341,552
Due to engineering suppliers	227,014	387,357
Due to equipment suppliers	627,542	579,407
Transportation fees	98,615	81,816
Processing fees	31,264	43,661
Others	<u>72,562</u>	<u>97,825</u>
Total	<u><u>13,210,828</u></u>	<u><u>12,216,311</u></u>

The ageing of accounts payable was analysed based on record dates as follows:

	31 December 2018	31 December 2017
Within 1 year (inclusive)	12,532,684	11,538,059
1 to 2 years (inclusive)	413,234	313,282
2 to 3 years (inclusive)	60,703	157,749
Over 3 years	204,207	207,221
	<hr/>	<hr/>
Total	13,210,828	12,216,311
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2018, accounts payable over 1 year amounted to RMB678,144,000 (31 December 2017: RMB678,252,000), which are mainly payables related to offshore engineering business and energy and chemical business. Since the construction period of the offshore engineering project and the production cycle of the energy and chemical project is usually more than one year, the payables have not yet been settled.

Among the above balances of accounts payable at the year-end, there were no amounts due to shareholder holding more than 5% (including 5%) of the voting shares of the Company.

6. UNDISTRIBUTED PROFITS

	2018	2017
Undistributed profits at the beginning of the year	19,734,494	17,495,053
Changes in accounting policies	(146,737)	–
Undistributed profits at the beginning of the year	19,587,757	17,495,053
Add: Net profit attributable to shareholders and other equity holders of the Parent Company for the current year	3,380,436	2,509,242
Less: Effect of issue of perpetual bonds by the Company	(77,841)	(87,808)
Less: Appropriation to surplus reserve	(1,050)	(2,156)
Less: Ordinary share dividends payable (1)	(806,533)	(179,837)
	<hr/>	<hr/>
Undistributed profits at the end of the year	22,082,769	19,734,494
	<hr/> <hr/>	<hr/> <hr/>

(1) Dividends declared at the end of the year

	2018	2017
Dividends proposed but not declared at the end of the year	<hr/>	<hr/>
Total proposed dividends in the year	806,533	179,837
	<hr/> <hr/>	<hr/> <hr/>

In accordance with the approval at the shareholders' general meeting held on 8 June 2018, the Company paid a cash dividend in the amount of RMB0.27 per share (2017: RMB0.06 per share) to the ordinary shareholders on 20 July 2018, amounting to RMB806,533,000 (2017: RMB179,837,000).

7. REVENUE AND COST OF SALES

	: B	
	2018	2017
Revenue from principal operations	91,482,249	74,527,712
Revenue from other operations	<u>2,015,373</u>	<u>1,772,218</u>
Total	<u>93,497,622</u>	<u>76,299,930</u>
Cost of sales from principal operations	78,710,264	61,592,397
Cost of sales from other operations	<u>876,144</u>	<u>700,318</u>
Total	<u>79,586,408</u>	<u>62,292,715</u>

8. ASSET IMPAIRMENT LOSSES

	: B	
	2018	2017
Loss from impairment of construction in progress	991,878	-
Loss from diminution in value of inventories and loss from impairment of contract performance cost	981,380	173,932
Loss from impairment of goodwill	210,657	38,000
Loss from impairment of fixed assets	199,186	20,252
Loss from impairment of intangible assets	38,640	-
Loss from impairment of long-term equity investments	2,608	-
Loss from bad debts of advances	1,275	56,724
Loss from bad debts of accounts receivable		140,192
Loss from bad debts of other receivables		118,582
Loss from bad debts of long-term receivables (including current portion of non-current assets)		<u>123,659</u>
Total	<u>2,425,624</u>	<u>671,341</u>

9. GAIN ON DISPOSAL OF ASSETS

	2018	2017	Amount included in extraordinary gains or losses for the year of 2018
Gain on disposal of fixed assets	114,381	196,786	114,381
Loss on disposal of fixed assets	(11,313)	(95,995)	(11,313)
Gain on disposal of intangible assets	5,138,843	14,838	1,297,683
Loss on disposal of intangible assets	—	(2,295)	—
Total	5,241,911	113,334	1,400,751

The gain on disposal of assets included:

- (1) Gain of RMB3,841.16 million from Qianhai land contracts: On 9 October 2017, Southern CIMC entered into the Land Preparation Framework Agreement with the Shenzhen UPLRCS and the Qianhai Authority in respect of the land preparation issues of the land parcels of T102-0152, T102-0153 and T102-0154 located at Qianhai, Shenzhen, (the “T ee La d Pa ce ”) with a site area of 524,000,000 sq.m. in aggregate. The Framework Agreement was entered into after mutual negotiation on the principles of respecting history, complying with arrangements, setting aside controversies, sharing interests and win-win development. On 19 February 2019, to further supplement on the relevant provisions in the Land Preparation Framework Agreement, Southern CIMC and Qianhai Authority entered into the fourth supplemental agreement to the Shenzhen Land Use Right Granting Contract (Shen Di He Zi (2006) No. 0193) (the “S ee e a A ee e ”), and, at the same time, discharged the Original Contracts on land parcel T102-0152 and ceased to perform the rights and obligations as stipulated therein; and on 27 February 2019, the Qianhai CIMC City and Qianhai CIMC Cloud, the wholly-owned subsidiaries of the Company, have entered into the Shenzhen Land Use Right Granting Contract (Shen Qian Hai Di He Zi (2018) No. 0010) and the Shenzhen Land Use Right Granting Contract (Shen Qian Hai Di He Zi (2019) No. 0001) with the Qianhai Authority in respect of land parcels T102-0289 with a site area of approximately 19,611.15 sq.m. and T102-0290 with a site area of approximately 18,058.26 sq.m. of the Phase I Land (hereinafter collectively referred to as the “G a C ac ”. The Granting Contracts and the Supplemental Agreement are hereinafter collectively referred to as the “A ee e ”), respectively. The carry amount of land parcel T102-0152 discharged by the Supplemental Agreement was RMB30.32 million, and the estimated value of land parcels T102-0289 and T102-0290 in the Agreement was RMB3,871.48 million, resulting a gain of RMB3,841.16 million and a profit after tax of RMB2,880.87 million. For specific details, please refer to the relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the website of the Company (www.cimc.com), as well as the announcements published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 9 October 2017 and 28 February 2019. The Company will perform the corresponding approval procedures and information disclosure obligations for the follow-up matters involved in the Land Preparation Framework Agreement.
- (2) In September 2018, the Group and its subsidiaries, Qingdao CIMC Reefer Container Manufacture Co., Ltd. and Qingdao CIMC Special Reefer Co., Ltd. recognized an income of RMB1,369.117 million for land and buildings, equipment, auxiliary facilities and demolition compensation. For relevant information, please refer to the announcements published by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn) and the Company’s website (www.cimc.com) (Announcement No.: [CIMC]2018-087), as well as the announcement published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 2 October 2018.

10. INCOME TAX EXPENSES

: B

	2018	2017
Current income tax calculated based on tax law and related regulations	1,648,740	1,266,361
Deferred income tax	966,363	(15,535)
	<u>2,615,103</u>	<u>1,250,826</u>
Total	<u>2,615,103</u>	<u>1,250,826</u>

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

: B

	2018	2017
Total profit	6,683,558	4,409,241
Income tax calculated at applicable tax rates	2,011,351	974,772
Effect of tax incentive	(107,526)	(148,887)
Expenses not deductible for tax purposes	168,497	135,909
Income not subject to tax	(216,090)	(37,101)
Deductible losses of utilisation of previously unrecognised deferred tax assets	(107,395)	(128,878)
Deductible losses for which no deferred tax assets were recognised	768,224	464,203
Deductible temporary differences for which no deferred tax assets were recognised	93,846	75,039
Deductible temporary differences of utilisation of previously unrecognised deferred tax	(35,456)	(27,358)
Effect of tax rate change on deferred tax	23,499	(32,540)
Tax refund for income tax annual filing	16,153	(24,333)
	<u>2,615,103</u>	<u>1,250,826</u>
Income tax expense	<u>2,615,103</u>	<u>1,250,826</u>

The income tax rates applicable to the Company and major subsidiaries for the year are as follows:

	2018	2017
T e C a	25%	25%
Subsidiaries registered in China	15-25%	15-25%
Subsidiaries registered in Hong Kong	16.5-25%	16.5-25%
Subsidiaries registered in the British Virgin Islands		-
Subsidiary registered in US	15-25%	15-36.65%
Subsidiary registered in Germany	15.83-31.6%	15.83-31.6%
Subsidiary registered in UK	19%	19%
Subsidiary registered in Australia	30%	30%
Subsidiary registered in the Netherlands	25%	25%
Subsidiary registered in Belgium	34%	34%
Subsidiary registered in Denmark	22%	22%
Subsidiary registered in Poland	19%	19%
Subsidiary registered in Thailand	20%	20%
Subsidiary registered in Singapore	17%	17%
Subsidiary registered in Sweden	22%	22%
Subsidiary registered in the Cayman Islands		-
Subsidiary registered in Malaysia	24%	24%
Subsidiary registered in Luxembourg	27.08%	27.08%

11. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share is calculated by dividing adjusted consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding of the Company:

	2018	2017
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company	3,380,436	2,509,242
Effect of issue of perpetual bonds by the Company	(77,841)	(87,808)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	3,302,595	2,421,434
Weighted average number of ordinary shares outstanding ('000)	2,984,672	2,980,056
Basic earnings per share (RMB per share)	1.11	0.81
Including: Going concern basic earnings per share	1.11	0.81

(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 (diluted) of ordinary shares outstanding of the Company:

	2018	2017
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company	3,380,436	2,509,242
Effect of issue of perpetual bonds by the Company	(77,841)	(87,808)
Effect of issue of convertible bonds by subsidiaries of the Group	(1,141)	-
Effect of the share option program of the subsidiaries of the Group	(5,484)	(1,371)
	<u>3,295,970</u>	<u>2,420,063</u>
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	3,295,970	2,420,063
Weighted average number of ordinary shares outstanding of the Company (diluted) ('000) (adjusted)	() 2,993,458	2,988,147
	<u>2,993,458</u>	<u>2,988,147</u>
Diluted earnings per share (RMB per share)	<u>1.10</u>	<u>0.81</u>

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

	2018	2017
Weighted average number of ordinary shares outstanding ('000)	2,984,672	2,980,056
Effect of share options of the Company ('000)	8,786	8,091
	<u>2,993,458</u>	<u>2,988,147</u>

The Board of the Company was authorised to grant 60,000,000 share options (accounting for 2.00% of the 2,984,672,278 shares of the weighted average number of ordinary shares outstanding of the Company during the year) to the senior management and other staff.

12. SEGMENT REPORTING

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

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

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

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

Segment information as at and for the year ended 31 December 2018 is as follows:

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I e	C a e 2018	R a d a a e c e 2018	E e c e a d f d e e 2018	O f f e e e 2018	A f a c e e 2018	L c e c e 2018	F a c e 2018	P e d e e 2018	H e a c 2018	O e 2018	I e - e e e a 2018	T a 2018
External revenue	31,164,394	24,142,946	14,065,905	1,631,760	4,670,212	8,585,513	2,085,170	2,888,302	2,351,978	1,911,442	-	93,497,622
Inter-segment revenue	371,827	256,772	96,895	801,838	935	42,749	7,214	4,903	135,688	2,320,047	(4,038,868)	-
Cost of sales from principal operations	28,134,193	20,868,516	11,316,428	2,547,251	3,699,530	7,882,680	1,232,258	1,519,215	2,304,291	3,909,622	(4,703,720)	78,710,264
Investment (loss)/income in associates and joint ventures	(145)	2,295	(94)	-	1,621	31,670	579	93,696	29,529	7,264	-	

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

: B

Item	Containers 2017	Road transportation vehicles 2017	Energy, chemistry and liquid food equipment 2017	Offshore engineering 2017	Airport facilities equipment 2017	Logistics services 2017	Finance 2017	Property development 2017	Heavy trucks 2017	Others 2017	Inter- segment elimination 2017	Total 2017
External revenue	24,936,966	19,312,933	11,649,409	1,241,605	3,592,934	8,128,290	2,339,934	986,797	2,516,229	1,594,833	-	76,299,930
Inter-segment revenue	109,731	207,731	196,791	1,243,812	3,577	67,162	707	19,995	49,516	1,524,504	(3,423,526)	-
Cost of sales from principal operations	20,772,143	15,729,623	9,496,115	2,451,403	2,793,427	7,387,048	896,360	584,561	2,413,675	2,908,088	(3,840,046)	61,592,397
Investment income/(losses) in associates and joint ventures	(35)	(2,288)	(245)	-	(20,311)	9,829	15,137	7,206	16,999	4,383	-	30,675
Assets impairment losses	72,745	67,903	203,540	5,791	6,184	101,661	137,986	227	51,284	14,987	9,033	671,341
Depreciation and amortisation expenses	411,797	281,480	365,621	380,121	118,893	133,386	185,698	12,428	138,231	315,691	-	2,343,346
Interest income	151,663	73,596	30,516	73,997	3,434	15,436	237,002	33,026	3,198	1,397,614	(1,792,221)	227,261
Interest expenses	79,327	112,037	73,076	563,434	15,456	29,516	167,504	14,808	77,934	1,432,152	(1,416,618)	1,148,626
Total profit/(losses)	1,887,439	1,267,192	635,258	(1,025,964)	180,226	120,973	1,211,520	241,520	(156,043)	(439,765)	486,885	4,409,241
Income tax expenses	424,337	249,006	161,757	13,391	33,842	34,549	219,327	49,157	(29,017)	143,996	(49,519)	1,250,826
Net profit/(losses)	1,463,102	1,018,186	473,501	(1,039,355)	146,384	86,424	992,193	192,363	(127,026)	(583,761)	536,404	3,158,415
Total assets	21,099,309	16,093,412	14,718,417	32,556,965	4,260,043	4,723,994	37,149,558	4,612,197	4,129,455	34,494,325	(43,233,296)	130,604,379
Total liabilities	11,927,403	9,025,093	9,846,112	30,716,009	2,608,742	2,600,331	29,418,426	1,989,036	3,822,070	39,504,856	(54,091,133)	87,366,945
Other material non-cash items:												
- Other non-cash expenses/ (income) other than depreciation and amortisation	390,181	136,365	222,803	(114,709)	19,639	113,445	137,159	(3,436)	51,951	(7,661)	(7,422)	938,315
- Long-term equity investments of associates and joint ventures	31,908	127,182	10,103	31,372	552,725	498,185	486,732	140,207	213,154	306,927	-	2,398,495
- Amount of additions to non-current assets other than long-term equity investment, financial assets and deferred tax assets	1,333,945	453,685	1,165,021	160,955	101,328	264,240	539,648	146,959	110,396	366,641	630,820	5,273,638

13. CONTINGENCIES

(1) Guaranteed by the Group

Yantai CMIC Raffles Offshore Ltd., a subsidiary of the Group, provided the guarantee for the vessel leasing of its clients. As at 31 December 2018, the amount guaranteed by Raffles was approximately RMB163,146,000 (31 December 2017: RMB258,646,000).

CIMC Vehicles, a subsidiary of the Group, carried out vehicle buyer credit business and signed loan guarantee contracts with China Merchants Bank, China Guangfa Bank and Industrial Bank, providing credit guarantee to the relevant banks financing of the distributors and customers of the Group and its holding subsidiaries arising from purchase of vehicle products. As at 31 December 2018, the aggregate amount of credit facilities in respect of which the Group and its holding subsidiaries provided guarantees to the distributors and customers was RMB863,736,000 (31 December 2017: RMB808,421,000).

The Group's subsidiaries, Shenyang Vehicle Industrial Park and Shaanxi Vehicle Industrial Park, cooperated with China Construction Bank and Shaanxi Xianyang Qindu Rural Commercial Bank, respectively, in mortgage credit cooperation and signed a property loan guarantee contract, providing phased guarantee to the loans that the customers of the two companies obtained from the relevant banks. As of 31 December 2018, the customer financing loans provided by the Shenyang Vehicle Industrial Park and Shaanxi Vehicle Industrial Park was approximately RMB18,176,000 (31 December 2017: RMB11,850,000).

The Group's subsidiary, CIMC Skyspace Real Estate and its holding subsidiaries, provided guarantees to purchasers of commodity homes by the way of secured loans with external banks. The amount of guarantees provided by the Group was RMB1,073,457,000 as at 31 December 2018 (31 December 2017: RMB627,323,000).

The Group's subsidiary, C&C Trucks and its holding subsidiaries, carried out vehicle buyer credit business and signed vehicle loan guarantee contract with external banks, providing credit guarantee to the relevant banks financing of the distributors and customers of C&C Trucks and its holding subsidiaries arising from purchase of vehicle products. As at 31 December 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 approximately RMB572,427,000 (31 December 2017: RMB339,442,000).

(2) Not recognized as liabilities

The Group does not recognize bills payable or letter of credit issued as deposits. Corresponding inventories, advance to suppliers and notes payable are recognised at the earlier of the date of delivery of goods and the maturity date of the bills issued. As at 31 December 2018, the Group had no bills issued but not accounted for, and had outstanding letters of credit issued of RMB423,994,000 (31 December 2017: RMB278,433,000).

As at 31 December 2018, the Company had outstanding balance of guarantees issued for the subsidiaries of the Group of RMB84,045,000, USD164,898,000 (equivalent to RMB1,131,728,000) and Euro34,346,000 (equivalent to RMB269,523,000) respectively, totaling RMB1,485,296,000 (31 December 2017: RMB976,022,000).

As at 31 December 2018, the amount of the unexpired letter of guarantee of the Group's subsidiary issued by the bank was RMB107,531,000, of which the balance of the performance guarantee was RMB64,657,000, the balance of the quality guarantee was RMB3,114,000, the balance of customs guarantees was RMB6,000,000, the balance of advance payment guarantees was RMB33,700,000, and the balance of general customs guarantees was RMB60,000 (31 December 2017: RMB90,121,000).

As at 31 December 2018, the balance of outstanding guarantees of the Group's subsidiary Tianda Airport issued by the bank was RMB140,992,000, of which the balance of performance guarantee was RMB40,867,000, the balance of quality guarantees was RMB11,772,000, the balance of bid bonds was RMB147,000, the balance of advance guarantee was RMB68,856,000, the balance of other non-financing guarantees was RMB18,222,000, and the balance of advance refund guarantee was RMB1,128,000 (31 December 2017: RMB857,578,000).

As at 31 December 2018, the Group's subsidiary, Yantai CMIC Raffles had outstanding balance of guarantees issued by the bank was US\$57,242,000 (equivalent to RMB392,863,000), of which the balance of the payment guarantee was US\$31,956,000 (equivalent to RMB219,320,000), the balance of the performance guarantee was US\$25,286,000 (equivalent to RMB173,543,000), and the balance of quality guarantee was nil (31 December 2017: RMB20,321,000).

As at 31 December 2018, Finance Company, the subsidiary of the Group, had outstanding balance of guarantees issued for the subsidiary of the Group of RMB5,587,000, of which the balance of performance guarantees was RMB1,685,000, the balance of quality guarantees was in the amount of RMB1,602,000, and the balance of the payment guarantee was RMB2,300,000 (31 December 2017: RMB7,559,000).

(3) S f c a e d a

CIMC Enric Investment Holdings (Shenzhen) Ltd., an indirect wholly-owned subsidiary of Enric, the subsidiary of the Group, received certain litigation papers including notification calling for responses to the action and summons served by the Jiangsu Province High People's Court in December 2018, where SOEG PTE LTD claims that Enric Shenzhen should pay (among others) the remaining balance of the equity transfer of RMB153,456,000 for acquisition of Sinopacific Offshore & Engineering Co., Ltd. from SOEG in 2015. Enric Shenzhen has made application for disputing the courts' jurisdiction and time for first instance has not determined. Considering the current progress of the litigation and opinions of the independent legal advisor, the Board of the Company is of the view that there is no need to make provision for this litigation on accounts of the Group as at 31 December 2018.

14. COMMITMENTS

C a a c e

	2018	2017
Fixed assets purchase contracts entered into but not performed or performed partially	179,560	98,366
External investment contracts entered into but not performed or performed partially	1,761,507	10
Vessels manufactured for sales or lease	69,516	44,342
Total	<u>2,010,583</u>	<u>142,718</u>

15. NET CURRENT ASSETS

: B

	T e G 31 December 2018	31 December 2017
Current assets	81,902,959	59,001,923
Less: Current liabilities	<u>73,536,161</u>	<u>51,421,759</u>
Net current assets	<u><u>8,366,798</u></u>	<u><u>7,580,164</u></u>

	T e C 31 December 2018	a 31 December 2017
Current assets	26,990,064	19,488,158
Less: Current liabilities	<u>19,027,541</u>	<u>6,583,057</u>
Net current assets	<u><u>7,962,523</u></u>	<u><u>12,905,101</u></u>

16. TOTAL ASSETS LESS CURRENT LIABILITIES

: B

	T e G 31 December 2018	31 December 2017
Total assets	158,883,963	130,604,379
Less: Current liabilities	<u>73,536,161</u>	<u>51,421,759</u>
Total assets less current liabilities	<u><u>85,347,802</u></u>	<u><u>79,182,620</u></u>

	T e C 31 December 2018	a 31 December 2017
Total assets	39,506,154	29,778,497
Less: Current liabilities	<u>19,027,541</u>	<u>6,583,057</u>
Total assets less current liabilities	<u><u>20,478,613</u></u>	<u><u>23,195,440</u></u>

17. EVENTS AFTER THE BALANCE SHEET DATE

1. D i v i d e n d

(1) *Dividend for ordinary shares proposed after the balance sheet date*

As at 27 March 2019, the board of directors of the Company proposed to distribution cash dividends to all shareholders of RMB5.5 per 10 shares, no bonus shares will be issued, and additional 2 shares will be issued to all shareholders for every 10 shares being held by way of conversion of capital surplus, and the amount of shares calculated as of 31 December 2018 was approximately RMB1,641,744,000 (2017: RMB0.27 per share, a total of RMB805,380,000). This proposal is yet to be approved by the shareholders meeting. The dividend distribution plan is based on the number of shares on the dividend registration date. Dividends proposed after the balance sheet date are not recognized as liabilities at the balance sheet date.

2. R e f a c c o u n t i n g

The Ministry of Finance made amendments on “Accounting Standards for Enterprise 21 – Leases” on 2018. These amendments supplemented the definition of lease by adding contents of lease identification, split and consolidation of lease contract; cancelled the classification of a lessee’s operating lease and financing lease, requiring confirmation of right-of-use assets and lease liabilities on all leases (except short-term leases and that of low value asset), and make provision for depreciation and interest expenses; improved lessee’s subsequent measurement by adding accounting treatment methods under the scenarios of option revaluation and lease change. As required, the Group will apply the new lease standards from 1 January 2019.

After assessment by the management, the adoption of above lease standards from 1 January, 2019 is expected to the have the following major impacts on the leases in which the Group acts as a lessee: for the adoption of policy during the transition period, the Group will apply the second method permitted by the new lease standard and apply the simplified treatment, i.e. not to adjust the comparable period information, instead, only adjust the amount of related items in the financial statements at the beginning of 2019, which will not affect the Group ‘s retained earnings and net assets at the beginning of 2019. In accordance with the above requirements, the Group recognises a right-of-use asset and a lease liability for all leases, other than the short-term leases and leases of low-value assets apply the simplified treatment, and recognize depreciation and interest expenses respectively on 1 January 2019.

3. S p i n - o f f

On 9 August 2018, Proposal regarding the Proposed Overseas Listing of CIMC Vehicles (Group) Co., Ltd. was considered and approved at the 12th meeting of the eighth session of the Board in 2018. The Company intends to spin-off subsidiary CIMC Vehicles for its listing on the main board of the Hong Kong Stock Exchange. On 26 September 2018, this matter was considered and approved at the second 2018 extraordinary general meeting, the first 2018 A Shareholders’ class meeting and the first 2018 H Shareholders’ class meeting.

On 14 March 2019, CIMC Vehicles received Approval of Issuance of Overseas-listed Foreign Shares by CIMC Vehicles (Group) Co., Ltd. (Zhengjianxuke No.[2019]356) issued by CSRC, which approve CIMC Vehicles to newly issue no more than 383,801,955 overseas-listed foreign shares with nominal value of RMB1 per share, all being ordinary shares. After completion the issuance, CIMC Vehicles can be listed on the main board of the Hong Kong Stock Exchange. After CIMC Vehicles finished the issuance as approved, China International Marine Containers (Hong Kong) Limited, shareholder of CIMC Vehicles’ holding of no more than 284,985,000 existing shares, Sumitomo Corporation’s holding of no more than 13,935,000 existing shares (in aggregate no more than 298,920,000 existing shares) will be converted into overseas-listed foreign shares. In conformity with domestic and foreign related laws, regulations and rules, shares hold by above shareholders can be traded on the main board of the Hong Kong Stock Exchange.

9 PURCHASE, SALE OR REDEMPTION OF SHARES

The Group or any of its subsidiaries did not sell any listed securities of the Company or any of its subsidiaries, nor did it purchase or redeem any of the securities of the Company during the twelve months ended 31 December 2018.

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

The Company has adopted the provisions in relation to dealing in shares of the Company by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “M de C de”) contained in Appendix 10 of the Hong Kong Listing Rules. Each director and supervisor has confirmed to the Company that each of them has complied with the requirements set out in the Model Code during the Reporting Period.

11 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been committed to enhancing the Company’s corporate governance standards. Through strict corporate governance practices, the Company strives to enhance corporate value and ensure our long-term sustainable development, and to fulfil corporate responsibility as a listed company as well as maximise long-term shareholders value.

The Company has complied with the code provisions under the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules during the Reporting Period, except for deviation of the code provisions A.1.1, A.2.7, A.6.7 and E.1.2. Particulars of the deviations and the factors taken for consideration are set out below.

Corporate Governance Code A.1.1 requires that “The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals”. During the Reporting Period, the Company held 26 Board meetings, of which 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.

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

Corporate Governance Code A.6.7 requires that “independent non-executive directors and other non-executive directors should also attend general meetings to gain and develop a

Corporate Governance Code E.1.2 requires that “The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend”. The chairman of the Board and the chairmen of other committees attended the annual general meeting, except that Mr. Hu Xianfu, a non-executive director and the chairman of the risk management committee, was unable to attend the annual general meeting due to other important affairs at the relevant time.

12 AUDIT COMMITTEE

The Audit Committee has been formed by the Board of the Company pursuant to Appendix 14 of the Hong Kong Listing Rules, which comprises Mr. PAN Chengwei (chairman), Mr. PAN Zhengqi and Mr. WONG Kwai Huen, Albert. The Audit Committee of the Company has reviewed and affirmed the annual results of the Group for the year 2018.

By order of the Board
 C a I e a a M a e C a e (G) C ., L d.
 WANG H
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Hong Kong, 27 March 2019

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