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

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

(H Share Stock Code: 2039)
(A Share Stock Code: 000039)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 (SUMMARY OF THE 2016 ANNUAL REPORT)

1 IMPORTANT NOTICE

1.1 The Board of Directors (the "**Board**") of China International Marine Containers (Group) Co., Ltd. (the "**Company**"), the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that there are no material omissions from, or misrepresentation or misleading statements contained in this results announcement for the year ended 31 December 2016 (the "**Announcement**"), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this summary of the annual report for the year ended 31 December 2016 (the"**2016 Annual Report**").

The Announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cimc.com). The Announcement is a summary of the 2016 Annual Report and the full version of the 2016 Annual Report will be posted on the above websites in due course.

1.2 The 2016 Annual Report and the Announcement have been approved at the first meeting of the 8th session of the Board in 2017 (the "**Board Meeting**"). All directors warrant, and there is no dissenting opinion as to, the truthfulness, accuracy and completeness of the 2016 Annual Report and the Announcement.

1.3 The financial statements of the Company and its subsidiaries (the "**Group**") have been prepared in accordance with China Accounting Standards for Business Enterprises ("**CASBE**"). The financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with CASBE, have been audited by PricewaterhouseCoopers Zhong Tian LLP ("**PricewaterhouseCoopers**"), who has issued an audit report with unqualified opinions on the financial statements. The figures in respect of the Announcement have been agreed by PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial report for 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with "Hong Kong Standards on Auditing", "Hong Kong Standards on Review Engagements" or "Hong Kong Standards on Assurance Engagements" issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

1.4 No substantial shareholder of the Company has utilised the funds of the Company for non-operating purposes.

1.5 Mr. WANG Hong, Chairman of the Board, Mr. MAI Boliang, CEO and President of the Company, and Mr. JIN Jianlong, General Manager of the Finance Department of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in the 2016 Annual Report and the Announcement.

1.6 The proposed profit distribution plan of the Company as considered and approved by the Board is based on the total share capital of the Company as at the date of dividend payment record for 2016, a cash dividend of RMB0.6 (tax inclusive) per 10 shares will be distributed to all shareholders, no bonus shares will be issued, and no share will be converted from reserves into share capital. The proposed dividend is expected to be payable on or around 20 July 2017. The annual dividend-distribution plan for 2016 shall be submitted to the Company's annual general meeting for consideration and approval.

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

1.8 The reporting period (the "**Reporting Period**") means the twelve months started from 1 January 2016 and ended on 31 December 2016.

1.9 The Announcement is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

2 BASIC INFORMATION OF THE COMPANY

2.1 Basic Information of the Company

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

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

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

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

2.2 Contact Persons and Means of Communication

	Yu Yuqun Secretary to the Board, Company Secretary	**Wang Xinjiu** Representative of Securities Affairs	**Shen Yang** Assistant Company Secretary
Telephone:	(86 755) 2669 1130	(86 755) 2680 2706	(852) 2232 7318
Facsimile:	(86 755) 2682 6579	(86 755) 2682 6579	(852) 2805 1835
Email:	shareholder@cimc.com	shareholder@cimc.com	shareholder@cimc.com

Contact Address in China:	CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, PRC
Contact Address in Hong Kong:	3101-2 Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

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

3.1 Retrospective Adjustment to or Restatement of the Accounting Data for Prior Years by the Company due to Change of Accounting Policies and Correction of Accounting Errors

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

√Yes ☐No

As considered and approved by the Board and the Supervisory Committee of the Company on 29 December 2016, the measurement of investment properties of the Company was changed from the cost measurement mode to the fair value measurement mode, and retrospective adjustments have been made on the items such as investment properties and other comprehensive income in the financial report for 2015.

Unit: RMB thousand

	2016	2015 Before the adjustment	2015 After the adjustment	Changes from previous year to this year after the adjustment (%)	2014 Before the adjustment	2014 After the adjustment
Revenue	**51,111,652**	58,685,804	58,685,804	(12.91%)	70,070,855	70,070,855
Net profit attributable to shareholders and other equity holders of the Company	**539,660**	1,974,005	2,026,613	(73.37%)	2,477,802	2,477,802
Net profit attributable to shareholders and other equity holders of the Company after deducting non-recurring profit or loss	**511,420**	1,721,222	1,751,645	(70.80%)	2,142,682	2,142,682
Net cash flows from operating activities	**2,341,619**	(3,610,223)	(3,610,223)	164.86%	6,434,477	6,434,477
Basic earnings per share (RMB/share)	**0.14**	0.72	0.74	(81.08%)	0.93	0.93
Diluted earnings per share (RMB/share)	**0.14**	0.71	0.73	(80.82%)	0.92	0.92
Weighted average return on net assets (%)	**2%**	8%	8%	(6%)	12%	12%

	As at the end of 2016	As at the end of 2015 Before the adjustment	As at the end of 2015 After the adjustment	Changes from the end of previous year to the end of this year after the adjustment (%)	As at the end of 2014 Before the adjustment	As at the end of 2014 After the adjustment
Total assets	**124,614,748**	106,763,171	107,057,065	16.40%	87,776,181	87,966,564
Net assets attributable to shareholders and other equity holders of the Company	**29,285,970**	28,541,319	28,687,635	2.09%	22,290,314	22,380,369

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

Unit: RMB thousand

Income Statement Items	2016	2015 (Restated)	Changes from the previous year to this year (%)	2014	2013	2012
	For the year ended 31 December					
Revenue	**51,111,652**	58,685,804	(12.91%)	70,070,855	57,874,411	54,334,057
Operating profit	**800,538**	3,039,854	(73.67%)	3,297,874	3,370,835	2,639,441
Profit before income tax expense	**1,702,051**	3,302,470	(48.46%)	3,570,416	3,562,720	2,907,380
Income tax expense	**967,068**	951,825	1.60%	536,488	928,222	976,950
Profit for the year	**734,983**	2,350,645	(68.73%)	3,033,928	2,634,498	1,930,430
Including:						
Net profit attributable to shareholders and other equity holders of the Company	**539,660**	2,026,613	(73.37%)	2,477,802	2,180,321	1,939,081
Profit or loss attributable to minority shareholders	**195,323**	324,032	(39.72%)	556,126	454,177	(8,651)
Net profit attributable to shareholders and other equity holders of the Company after deducting non-recurring profit or loss	**511,420**	1,751,645	(70.80%)	2,142,682	1,343,090	1,706,490

Unit: RMB thousand

Assets and liabilities Items	2016	2015 (Restated)	Changes from the previous year to this year (%)	2014 (Restated)	2013	2012
	As at 31 December					
Total current assets	**53,352,031**	43,530,325	22.56%	45,172,177	41,169,668	38,346,189
Total non-current assets	**71,262,717**	63,526,740	12.18%	42,794,387	31,436,304	24,646,191
Total assets	**124,614,748**	107,057,065	16.40%	87,966,564	72,605,972	62,992,380
Total current liabilities	**46,249,215**	45,922,271	0.71%	43,340,077	32,576,349	25,540,032
Total non-current liabilities	**39,230,741**	25,413,879	54.37%	17,202,785	15,533,495	15,335,191
Total liabilities	**85,479,956**	71,336,150	19.83%	60,542,862	48,109,844	40,875,223
Equity attributable to shareholders and other equity holders of the Company	**29,285,970**	28,687,635	2.09%	22,380,369	20,674,037	19,513,176
Minority interests	**9,848,822**	7,033,280	40.03%	5,043,333	3,822,091	2,603,981
Total equity attributable to shareholders	**39,134,792**	35,720,915	9.56%	27,423,702	24,496,128	22,117,157

Unit: RMB thousand

Cash Flow Items	**2016**	2015	Changes from the previous year to this year (%)	2014	2013	2012
	For the year ended 31 December					
Net cash flows from operating activities	**2,341,619**	(3,610,223)	164.86%	6,434,477	2,749,926	2,242,919
Net cash flows from investing activities	**(6,854,655)**	(12,584,781)	45.53%	(11,553,782)	(6,504,459)	(1,559,348)
Net cash flows from financing activities	**7,511,046**	16,505,663	(54.49%)	3,940,986	3,632,937	(2,889,667)

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

Key Financial Indicators	**2016**	2015 (Restated)	Changes from the previous year to this year (%)	2014	2013	2012
Basic earnings per share attributable to shareholders of the Company (RMB/share)	**0.14**	0.74	(81.08%)	0.93	0.82	0.73
Diluted earnings per share attributable to shareholders of the Company (RMB/share)	**0.14**	0.73	(80.82%)	0.92	0.81	0.73
Net cash flows from operating activities per share (RMB)	**0.79**	(1.21)	165.29%	2.41	1.03	0.84
Weighted average return on net assets after deducting non-recurring profit or loss (%)	**1%**	7%	(6%)	10%	7%	9%

	As at 31 December 2016	As at 31 December 2015 (Restated)	Changes from the previous year to this year (%)	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012
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)	**9.83**	9.63	2.08%	8.34	7.77	7.33
Weighted average return on net assets (%)	**2%**	8%	(6%)	12%	11%	10%

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

Unit: RMB thousand

Items	**2016**	2015 (Restated)	2014
Gains/(loss) on disposal of non-current assets	**264,552**	(17,588)	(33,210)
Government grants recognised in profit or loss for the current period	**497,336**	298,893	294,996
Remeasurement of the fair value of equity interest in the acquiree held prior to the acquisition date to recognise investment gains or loss	**–**	–	41,863
Gains or losses from changes in fair value arising from holding financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, and investment gains arising from disposal of financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets, and gains or losses from changes in fair values of investment properties subsequently measured at fair value, except for the effective hedging activities relating to the Group's ordinary activities	**399,704**	122,659	(127,662)
Net gains/(loss) from disposal of long-term equity investments	**361,353**	3,333	(8,278)
Reversal accounts receivable provided for bad debts on an individual basis	**–**	12,461	80,784
Other non-operating income and expenses other than the above items	**139,625**	(18,689)	10,756
Other profit/loss items defined as non-recurring profit/loss items	**(1,362,915)**	18,330	155,860
Effect of income tax	**(422,180)**	(101,996)	(38,082)
Effect of minority interests (after tax)	**150,765**	(42,435)	(41,907)
Total	**28,240**	274,968	335,120

4 SHAREHOLDINGS AND SHAREHOLDING STRUCTURE CHART

4.1 Number of Shareholders and Shareholdings

As at 31 December 2016, the Company had totally 2,978,576,986 shares in issue, including 1,262,000,377 A shares and 1,716,576,609 H shares.

The total number of shareholders of the Company as at 31 December 2016 was 77,211, including 77,199 holders of A shares and 12 registered holders of H shares. The minimum public float of the Company satisfied the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"). The total number of shareholders of the Company as at 28 February 2017, being the end of the month preceding the Announcement, was 66,150, including 66,137 holders of A shares and 13 registered holders of H shares.

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

		Shareholdings of the shareholders who hold above 5% or the top ten shareholders				
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the Reporting Period	Changes during the Reporting Period	Number of shares held with selling restrictions	Number of shares held without selling restrictions
HKSCC Nominees Limited *(Note 1)*	Foreign legal person	55.44%	1,651,313,071	220,988,862	0	1,651,313,071
COSCO Container Industries Limited *(Note 2)*	Foreign legal person	16.69%	497,271,481	0	0	497,271,481
China Securities Finance Corporation Limited	State-owned legal person	2.91%	86,667,067	6,252,348	0	86,667,067
Central Huijin Asset Management Ltd.	State-owned legal person	1.28%	37,993,800	0	0	37,993,800
ICBC Credit Suisse Fund - Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	Domestic non-state-owned legal person	0.32%	9,566,600	0	0	9,566,600
Explanation on the relationship or concerted action of the above Shareholders		Unknown				

*Note 1: As at 31 December 2016, HKSCC Nominees Limited was the registered holder of the 1,651,313,071 H shares, including (but not limited to) 730,557,217 H shares of the Company held by China Merchants Group Limited ("**China Merchants Group**") through its subsidiaries, 25,322,106 H shares of the Company held by China COSCO Shipping Corporation Limited ("**China COSCO Shipping**") through its subsidiary Long Honour Investments Limited ("**Long Honour**"), 155,420,437 H shares of the Company held by COSCO Container Industries Limited, and 215,203,846 H shares of the Company held by Hony Capital Management Limited through its subsidiary Broad Ride Limited.*

Note 2: As at 31 December 2016, COSCO Container Industries Limited still held 432,171,843 A shares and 65,099,638 H shares which had not been deposited with HKSCC Nominees Limited.

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

So far as the directors are aware, as at 31 December 2016, the persons other than a director, supervisor or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong are as follows:

Name of shareholder	Nature of shareholding	Number of shares	Capacity	Percentage of such shares in the issued share capital of the same class (%)	Percentage of such shares in the total share capital (%)
China Merchants Group[1]	H shares	730,557,217 (L)	Interest of corporation controlled by the substantial shareholder	42.56%	24.53%
China COSCO Shipping[2]	A shares	432,171,843(L)	Interest of corporation controlled by the substantial shareholder	34.24%	14.51%
	H shares	245,842,181(L)	Interest of corporation controlled by the substantial shareholder	14.32%	8.25%
Hony Group Management Limited[3]	H shares	358,251,896 (L)	Interest of corporation controlled by the substantial shareholder	20.87%	12.03%
Broad Ride Limited[3]	H shares	215,203,846 (L)	Beneficial holder	12.54%	7.23%
	H shares	143,048,050 (L)	Person having security interest in shares	8.33%	4.80%
Promotor Holdings Limited	H shares	143,048,050 (L)	Beneficial holder	8.33%	4.80%

(L) Long position

Note 1: China Merchants Group, through its subsidiary (including China Merchants Port Holdings Company Limited and China Merchants (CIMC) Investment Limited etc.), had an interest in the H shares of the Company, and all the 730,557,217 H shares (long position) were held in the capacity as interest of corporation controlled by the substantial shareholder.

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

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

Save as disclosed above and so far as the directors are aware, as at 31 December 2016, no other person (other than a director, supervisor or chief executive of the Company) had any interests recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

4.4 Information on Substantial Shareholders

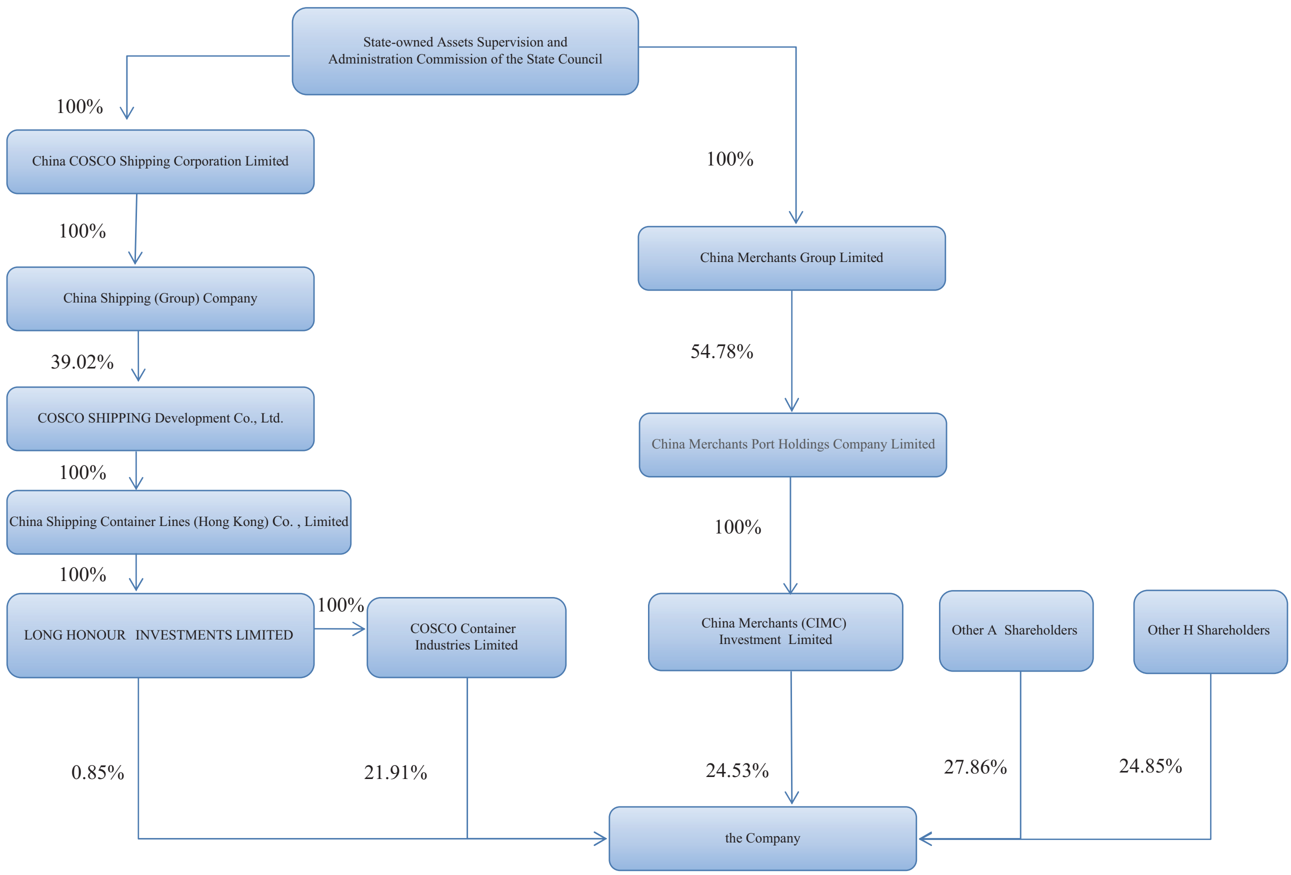
The Company had no controlling shareholder or actual controller during the Reporting Period. As of the end of the Reporting Period, the substantial shareholders of the Company are China Merchants Group and China COSCO Shipping.

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 (bank, securities, funds and insurance) and real estates (industrial zone development and real estate development). As of the end of the Reporting Period, China Merchants Group, the first largest substantial shareholder of the Company, through its subsidiaries (including China Merchants Port Holdings Company Limited and China Merchants (CIMC) Investment Limited etc.) held 24.53% of the issued shares of the Company.

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 service as the pillar to provide global integrated logistics supply chain services among various industrial clusters. On 31 March 2016, COSCO SHIPPING Development completed the acquisition of the entire equity interest in Long Honour through its wholly-owned subsidiary China Shipping Container Lines (Hong Kong) Co., Limited, becoming the second largest shareholder of the Company indirectly. In May 2016, SASAC of the State Council gratuitously transferred all the state-owned interest in China Shipping, the controlling shareholder of COSCO SHIPPING Development, to China COSCO Shipping. Since then, China COSCO Shipping has become the second largest shareholder of the Company indirectly. As of the end of the Reporting Period, China COSCO Shipping, the second largest substantial shareholder of the Company, through its subsidiaries (including China Shipping, COSCO SHIPPING Development, Long Honour and COSCO Container Industries Limited etc.) held 22.76% 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 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 2016, the global economic situation was complicated and the financial market remained volatile. In the first half, the weak global economy in 2015 continued in 2016, with the international trade and investment remaining in the doldrums. Starting from the second half, with the improvement on economic activities in the U.S., the prices of crude oil and commodities rebounded. The U.S. dollars entered into the rate increase cycle. The economy in the Eurozone basically held stable. The economic growth of Japan improved somewhat. However, affected by the weak external demand, U.S. dollars appreciation and other factors, the emerging markets and developing economies saw their economic growth slow down. In 2016, China's economic growth, under the "new normal", continued to slow down and the downward pressure on the traditional manufacturing industry remained unchanged. Under the influence of policies including supply-side structural reform and moderate expansion in aggregate social demand implemented by China, GDP growth remained at 6.7% during the year.

During the Reporting Period, the Group's revenue amounted to RMB51.112 billion (2015: RMB58.686 billion), representing a year-on-year decrease of 12.91%, and its net profit attributable to shareholders and other equity holders of the Company amounted to RMB540 million (2015 : RMB2.027 billion (restated)), representing a year-on-year decrease of 73.37%. Its basic earnings per share was RMB0.14 (2015: RMB0.74 (restated)), representing a year-on-year decrease of 81.08%. Among the Group's principal businesses, affected by market downturn, the revenue of container business and offshore engineering business slumped sharply; the road vehicle business, airport facilities equipment business and financial business achieved relatively fast growth in their revenues; the energy, chemical and liquid food equipment business remained basically stable, but recorded substantial losses in its profit due to the significant provision provided for the termination of the acquisition of SinoPacific Offshore & Engineering Co., Ltd. ("**SOE**"); the logistics service business remained basically stable; improvement on the heavy truck business continued; and revenues from the real estate business declined due to the areas available for sales decreased during the Reporting Period.

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

Unit: RMB thousand

	2016	2015 (Restated)	Percentage change (%)
Revenue	**51,111,652**	58,685,804	(12.91%)
Operating profit	**800,538**	3,039,854	(73.67%)
Net profit attributable to shareholders and other equity holders of the Company	**539,660**	2,026,613	(73.37%)
Net cash flows from operating activities	**2,341,619**	(3,610,223)	164.86%
Net increase in cash and cash equivalents	**3,079,544**	323,872	850.85%

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

Container Manufacturing Business

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

In 2016, impacted by the frail economic growth and the sluggish trade market globally, the supply and demand of the shipping market became imbalanced and the shipping prices kept falling, which made the entire shipping industry stuck in operating losses. Meanwhile, a number of shipping companies engaged themselves in mergers, acquisitions and reorganisations during the past two years, which delayed their capital investments and purchase of new containers. All of the above factors contributed to the decrease in market demand for containers and the decline in selling prices of containers for most of the time in 2016. Yet, the container business develops its own demands and cyclical effect. After an accumulation of previous flat demand and thanks to the tightened container liquidity resulting from the bankruptcy protection incident of Hanjin Shipping in the late third quarter of 2016, the container demand saw greater improvement from the fourth quarter of 2016. All in all, affected by the market downturn in the first three quarters, the overall output of the container manufacturing industry fell sharply throughout the year of 2016, and the industry competition intensified.

A series of environmental protection laws and regulations and action plans including the new Law on the Prevention and Control of Atmospheric Pollution were newly enacted, promulgated and implemented in China in 2016, which brought not only pressure in environmental protection to China's traditional manufacturing industries such as the container manufacturing industry, but also opportunities for their transformation and upgrading. The application and promotion of environment-friendly technologies or materials, including water-based paint, solvent recovery, and environmental protection floor etc., will be accelerated in the container industry. In particular, China Container Industry Association signed the "China Container Industry Association VOCs Governance Self-Discipline Convention" (《中國集裝箱行業協會VOCs治理自律公約》) in Shanghai in March 2016. On 1 July 2016, the Group and other major domestic container manufacturers took the initiative in practicing the self-discipline requirement regarding application of water-based and environmental-friendly paint in Guangdong. A nationwide promotion was set to be carried out on 1 April 2017.

During the Reporting Period, the Group recorded a sharp decline in orders of its container business in a weak market and its revenue and net profit substantially decreased, of which, the total sales of ordinary dry containers were 587,300 TEUs (2015: 1,120,300 TEUs), representing a year-on-year decrease of 47.58%. The total sales of reefer containers were 79,700 TEUs (2015: 181,400 TEUs), representing a year-on-year decrease of 56.06%. The container business recorded revenue of RMB11.067 billion (2015: RMB21.071 billion), representing a year-on-year decrease of 47.48%, and the net profit was RMB363 million (2015: RMB996 million), representing a year-on-year decrease of 63.51%. The ordinary dry containers achieved sales revenue of RMB5.691 billion (2015: RMB11.386 billion), representing a year-on-year decrease of 50.02%; reefer containers achieved sales revenue of RMB2.236 billion (2015: RMB5.168 billion), representing a year-on-year decrease of 56.73%; special reefers achieved sales revenue of RMB3.553 billion (2015: RMB4.491 billion), representing a year-on-year decrease of 20.89%.

In 2016, in the face of the critical situation of a weak demand for container business and a relative surplus of supply, the Group proactively adopted various corresponding measures such as adjusting capacity arrangement, combining production bases and exploring for cross-district staff deployment to optimise capacity allocation and rationalise marketing strategies, which efficiently improved the capacity utilisation rate and the profit margin. During the Reporting Period, investments of the container business of the Group were carried out normally as planned: the container production base relocation project of the Group in Dongguan Fenggang was still progressing in an orderly way, yet the schedule got delayed slightly due to the land conditions not ready for commencing construction after its tendering, auction or listing procedures; Qingdao cold chain industry park relocation project was in good progress; relocation of the production lines for reefer containers and special reefer containers has already been completed and the new production lines have been put into operation as planned. At the same time, the Group completed technology transformation for part of the container production lines in regard to the application of water-based paint during the production off-season. In addition, Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd., a subsidiary of the Group, researched and produced the largest container in the world, succeeding in helping the smooth lift-off of "Long March" series launch vehicles.

In December 2016, Shanghai CIMC Reefer Containers Co., Ltd. ("**Shanghai CIMC Reefer**"), a non-wholly owned subsidiary of the Group, entered into a compensation agreement with Shanghai Baoshan Land Reserve Centre in respect of land, the buildings, the equipment and auxiliary facilities thereon located at No. 6888, Hutai Road, Baoshan District, Shanghai with a site area of 290.55 mu. This was beneficial for the Group to capitalise on the opportunities from urban development, upgrade and reconstruction and realise the commercial values of its existing resources so as to increase its overall benefit and return to its shareholders. The existing business of Shanghai CIMC Reefer was undertaken for operation by CIMC Taicang Refrigeration Equipment Logistics Co., Ltd., a wholly-owned subsidiary of the Group.

Road Transportation Vehicle Business

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

In 2016, the global economic growth was diversified. The demand for semi-trailers remained high in the North American market. The European market has started to revive since 2013, and due to the effect of the Brexit on transnational trade and investment, the European market was gradually going regionalisation. Performance of the commodity market in emerging markets varied under the influence of the global economic weakness. Driven by the implementation of the new national policy of GB1589 in relation to the limits of dimensions, axle load and masses for road vehicles and the joint campaign of the Ministry of Public Security and the Traffic Management Bureau against overloading of road freight vehicles, China's semi-trailer market shortened its product replacement cycle to speed up the transformation of domestic logistics semi-trailers towards lightweight, which efficiently eased the pressure of demand decline in the short term.

During the Reporting Period, the Group's road transportation vehicle business realised an all-round growth. During the year, the total sales were 123,100 units (sets) (2015: 113,900 units (sets)), representing a year-on-year increase of 8.08%. The sales revenue was RMB14.695 billion (2015: RMB12.862 billion), representing a year-on-year increase of 14.25%. The net profit was RMB767 million (2015: RMB572 million), representing a year-on-year increase of 33.97%.

During the Reporting Period, the growth of the road transportation vehicle business of the Group in North America, Europe and China was outstanding, while the emerging markets, affected by factors such as global commodity prices and exchange rates, recorded a business decline. The road transportation vehicle business of CIMC Vehicle (Group) Co., Ltd. made targeted deployments according to the trend of changes of its major markets and continued to promote the global operation management steadily. While strengthening its existing business, it focused on exploring the incremental business and the innovation business and making investments in terms of technological upgrading and marketing network construction.

In respect of the domestic market: the Group fully stimulated the enterprise vitality, grasped the hotspots and opportunities in market segments in time and enlarged marketing strength and scope. Affected by the implementation of the amendment to GB1589 and the state's strict governance against overloading, the logistics semi-trailers of the Group achieved a considerable year-on-year growth in terms of sales volume in 2016, among which, the sales volume of tank trucks increased by nearly 90% as compared with the same period of 2015.

In respect of overseas markets: (1) in the North American market, the Group capitalised on the market opportunities arising from the U.S. economic recovery, and successfully put the CIMC Vanguard II factory into production, increasing the annual production capacity by nearly 10,000 units, as a result, net profit recorded a significant growth in the North American market in 2016; (2) in the European market, the Group fully played the role of global operation system. The Group finished the acquisition of 100% equity of Retlan Manufacturing Ltd., a leader in Britain trailer market, and the Group officially put its factory in Poland into operation. It will keep on deploying on an ongoing basis to enhance the growth momentum in the future; (3) in the emerging markets, under the influence of the volatile commodity market and political condition in the global economy, the business saw a decline in 2016. In the future, the emphasis will be put on the operation of overseas presence of emerging markets and the global exploration for business cooperation opportunities with new partners, in an effort to develop diversified marketing channels and provide the market with high-quality CIMC Vehicle products and services, laying a foundation for market recovery.

During the Reporting Period, the advanced components and parts manufacturing base, a factory under the "lighthouse" project of CIMC Vehicle (Group) Co., Ltd. in Dongguan, Guangdong province, was put into production smoothly, which comprehensively accelerated business process optimisation and numeral-oriented upgrade, and put emphasis on materialisation of the lightweight, safe and environmental protection product concepts.

Energy, Chemical and Liquid Food Equipment Business

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

In 2016, as the oil price in the international market began to rise after it reached the bottom, and using natural gas as an alternative fuel to replace oil regained its attraction, the scale of coastal exported nature gas was expanded and market demand for natural gas storage and transportation equipment gradually increased. However, the impact caused by the sluggish market in the first half of year was not set off by the increase in the demand in the second half of year. Meanwhile, the average price of some natural gas equipment and chemical equipment (including standard tank containers and special tank containers etc.) fell due to adjustments on the prices of materials such as steel and intensified market competition. Affected by the factors above, the Group's energy, chemical and liquid food equipment business recorded a year-on-year decrease in its revenue in 2016. Affected by the termination of the acquisition of SOE and the significant provision made by CIMC Enric for such termination, the net profit of this business segment recorded a significant loss during the Reporting Period.

During the Reporting Period, the energy, chemical and liquid food equipment business of the Group recorded revenue of RMB9,354 million (2015: RMB9,305 million), representing a year-on-year increase of 0.52%. The net loss was RMB893 million (profit in 2015: RMB475 million), representing a substantial year-on-year loss. The revenue from the energy equipment business under the three main business segments of CIMC Enric was RMB3,241 million (2015: RMB3,397 million), representing a year-on-year decrease of 4.59%; the revenue from the chemical equipment business was RMB2,472 million (2015: RMB2,710 million), representing a year-on-year decrease of 8.78%; and the revenue from the liquid food equipment business was RMB2,255 million (2015: RMB2,135 million), representing a year-on-year increase of 5.62%.

Against the tough market environment, CIMC Enric focused on the improvement of its core competitiveness based on organic growth and continual innovation and strengthened the integration of enterprises that were newly acquired through mergers and acquisitions. CIMC Enric will improve the productivity of its existing business and reduce the costs incurred by such business through optimising connotation. Meanwhile, CIMC Enric will explore new business and growth drivers leveraging on the establishment of project companies, technical innovation and new business models. In addition, CIMC Enric will put more efforts on the development of overseas markets to achieve the sustainable development of its income.

During the Reporting Period, the energy equipment segment of CIMC Enric was committed to increasing its market share of the core products in the PRC and further improving the production efficiency through production technique improvement, continuous development and improvement of products and procurement control. Meanwhile, such segment proactively explored new businesses and conducted several successful R&D projects during the year, such as CNG transport ships and the supporting mother-daughter stations, which was the first in the world, composite plate spherical tanks, small- and medium-sized natural gas liquefaction skid-mount devices, full containment tank for low-temperature concrete, nuclear fuel transportation and R&D of key system equipment, of which some new products have been launched to market. Besides, the segment was also committed to constant product innovation and overseas market deployment.

The chemical equipment segment was committed to the provision of chemical logistics solution, with a view to providing one-stop services for industrial gas and liquid chemical industrial gas consumers, and the R&D of different types of tank containers. During the year, the segment conducted various R&D projects. For example, it successfully developed the new internationalised high-performance 40-foot LNG tank containers and the internationally universal low-temperature 20-foot tank containers, conducted R&D in relation to the pilot project of LNG tank container-based sea and land intermodal transportation and developed the safety standard system for LNG tank container waterway transportation. Besides, the segment was also committed to the R&D of tank container-based internet-of-things technologies, with a view to providing relevant monitoring and management platforms and integrated solutions with one-stop services for the industry chain of chemical logistics.

In respect of the liquid food equipment business segment, during the year, CIMC Enric completed the acquisition of the entire equity interests in Briggs Group Limited ("**Briggs**"). Briggs has operations in the United Kingdom and the United States and is primarily engaged in engineering, process engineering and sale of equipment and process control systems in the brewing, beverage, distilling food, pharmaceuticals, health and beauty and bio-fuel industries, as well as project management and consulting services. The business of Briggs was complementary to the existing business of CIMC Enric's liquid food equipment segment, which improved the processing capacity of CIMC Enric in relation to a number of brewing, pharmaceuticals and distilling process and design technologies. Since then, the liquid food equipment business of CIMC Enric has owned two main brands that are "Ziemann Holvrieka" and "Briggs" and high-level beer production equipment and technical capacity, and has been able to provide engineering services and systemic solutions to the liquid food industry. This segment will continue to introduce advanced production technologies and automated processing technologies from Europe to China and with the high-level beer production equipment, technologies and technical capacity, develop toward vertically integrated EPC contracting and horizontal diversification.

On 1 June 2016, CIMC Enric announced that it terminated the acquisition of 100% equity interest in SOE and the provision of financial assistance to SOE due to the breach of certain material terms set out in the relevant agreements by SOEG PTE LTD, Jiangsu Pacific Shipbuilding Group Co., Ltd. and Evergreen Group Co., Ltd. (the "**Vendors**"), and requested the Vendors to refund the prepaid consideration of RMB178,634,000 and SOE to return the loan of RMB482,052,000 and the guarantee of bank loan of RMB1,000,000,000. Currently, SOE is in the process of bankruptcy and reorganisation. Based on the negotiation with the Vendors and the knowledge on the financial positions of the Vendors and SOE and after a comprehensive and careful assessment on the impairment risks and collectability of the amount receivables, CIMC Enric made impairment provision of RMB1,362,915,000 in total for the amounts due from the Vendors and SOE in 2016. Such impairment provision was also included into the consolidated financial report of the Company for 2016. The above termination and provision will not affect the normal business operation of CIMC Enric and the Group. The Company will pay close attention to the progress of such matters and adopt appropriate measures to protect the legal interests of the Company and its shareholders.

Offshore Engineering Business

CIMC Raffles, a subsidiary of the Group, is an offshore engineering enterprise whose integrated operation model integrating design, procurement, manufacture, construction, commission and operation, possessing the capability of mass and industrialised construction of high-end offshore engineering equipment and other special vessels as a contractor. It is also one of the leading contractors of high-end offshore engineering equipment in China and has been participating in the competition of the international market of offshore engineering business all the time. Its major businesses include the design and construction of semi-submersible drilling platforms, semi-submersible accommodation platforms, jack-up drilling platforms, jack-up accommodation platforms, gas compression jack-up units, Liftboat, floating production storage vessels, crane vessels, pipe-laying vessels, OSV, ocean tugs, mid-to-high-end yachts and other vessels with its products covering a majority of offshore engineering products.

In 2016, the price of the international crude oil bounced back gradually from its bottom low at the beginning of the year, and reached more than USD50/barrel at the end of the year. However, as the factors that caused the supply disruption gradually subsided, and the US dollar index resumed its uptrend, it's expected that the oil price will be remained at below USD80/barrel in the next 3-5 years. As impacted by the continuous low oil price, the investment in respect of global oil and gas exploration and development in 2016 further deceased by nearly 30% as compared to 2015. Due to the significant decline in international oil price in 2014, many oil companies have chosen budget cuts, and demand for various kinds of offshore engineering equipment has been deceasing, all of which reflecting that the global offshore engineering equipment industry has entered into a period of the most severe recession ever since more than ten year ago. Currently, the utilisation of global drilling equipment is lower than 50%; daily rentals of global drilling equipment remains at a level that just covers or is even lower than operation costs. Against this backdrop, international oilfield service companies and drilling equipment constructors suffer from losses, causing mergers and acquisitions and integration among drilling equipment companies continuously arises, also indicating that the offshore engineering equipment market has basically bottomed and the industry is seeing off its worst time.

Recently, the Chinese government has implemented a series of policies and initiatives, with an aim to facilitating the development of and the capability improvement of offshore engineering equipment manufacturing industry of China. In 2015, the "Made in China 2025"of the State Council of China designated the offshore engineering equipment industry as one of the ten areas with key development. In June 2016, under the leadership and sponsorship of NDRC, Ministry of Finance and Ministry of Industry and Information Technology, China Advanced Manufacturing Industry Investment Fund ("**Advanced Manufacturing Industry Investment Fund**") was established, focusing on investing in major projects in respect of advanced manufacturing industries, upgrade of traditional industries and deployment of industries. In January 2017, five departments including, among others, Ministry of Industry and Information Technology of China, jointly issued "Shipbuilding Industry Deepening Structural Adjustment and Accelerating Transformation and Upgrade Action Plan (2016-2020)", which further specified the key task, development target and relevant supporting measures of the offshore engineering equipment industry of China in the "13th Five Year Plan" period.

In the hard time of global offshore engineering industry, CIMC Raffles saw its revenue sharply drop and recorded a year-on-year increase in operating losses. During the Report Period, the offshore engineering business of the Group recorded a sales revenue of RMB4,306 million (2015: RMB7,957 million), representing a year-on-year decrease of 45.89%; and also, a loss of RMB213 million (2015: a loss of RMB12 million) was recorded, representing a significant year-on-year increase.

In the face of the austere market environment, CIMC Raffles focused on strategic products, proactively explored market potential and expanded new businesses. By the end of 2016, the total contract amounts of CIMC Raffles' orders in hand approached approximately USD4.0 billion and the business scope of CIMC Raffles expanded from the traditional oil and gas business to new areas including deep sea fishery, deep sea tourism and platform disassembly and modification. The newly effective orders in 2016 with contract amounts of USD600 million were not only in relation to the project lease in the South China Sea of CNPC Offshore Engineering Company Limited under the D90 Project and the platform for "HYSY 162" Project which involved the traditional oil and gas market, but also in relation to the jack-up marine ranching platform which involved the deep sea fishery market, the TML broken-up vessel which involved the platform disassembly market, the orders for the cruise named Xunxianhao and themed sightseeing cruise which involved the marine tourism market and the 5-year special inspection project contract for "HYSY 981" which involved the platform reconstruction market.

As for platform construction and delivery, the test platform for "HYSY 162" Project of CNOOC Energy Technology & Services Limited (中海油能源發展股份有限公司) commenced construction in March 2016. CIMC Raffles completed the 5-year special inspection for two semi-submersible drilling platforms of Gazprom in April. H293 jack-up drilling platform was granted with the ABS certificate of the United States in the same month. H270 GM4D 1# semi-submersible drilling platform was granted with such certificate in July, and CIMC "Blue Whale No.1 (藍鯨1號)", the most advanced ultra-deepwater dual-rig semi-submersible drilling platform in the world, was certified by Det Norske Veritas in December. In addition, other projects under construction were also carried out on schedule in an orderly way, with major platforms under construction expected to be completed or delivered in 2017.

As for R&D and design, the Group owned four design companies, namely Bassoe Technology, Brevik Engineering, Ocean Engineering Design & Research Institute of CIMC and Yantai CIMC Marine Engineering Academe, which located in Sweden, Norway, Shanghai and Yantai respectively, and functioned as the technology innovation platform to integrate famous representatives from the Classification Society, like U.S. ABS, Norway DNV and China CCS etc., to lay a foundation for project R&D. Currently, the focus is mainly on advancing the subject of the 7th-generation ultra-deepwater platforms and BT300/350/450, in particular, diversifying the design of ship models in respect of yachts and cruise ships, wind power installation, floating production storage and offloading units (FPSO) and marine ranching, in order to procure potential orders. In May 2016, CIMC Raffles obtained the "First Prise of Science and Technology Awards of Offshore Engineering" from China Association of Oceanic Engineering; in June, CIMC Offshore Engineering was approved to establish a "national engineering laboratory of general assembly research and development of offshore engineering".

During the Reporting Period, the Group proactively cooperated with national industry fund and social industry capital to improve the capital strength and industry position of the Group's offshore engineering business though introducing external capitals. In December 2016, Future Industry Investment Fund proposed to make a capital contribution to CIMC Offshore Holdings Limited ("**CIMC Offshore**"), a subsidiary of the Group, in USD equivalent to RMB1.0 billion and obtained its 15% equity interests. The capital increase shows that as a superior enterprise in the area of offshore engineering general assembly construction, CIMC Raffles obtained national industry fund's direct support; At the end of December 2016, the Company's wholly-owned subsidiaries CIMC Offshore Engineering Co., Ltd. (中集海洋工程有限公司), CIMC Qianhai Financial Leasing (Shenzhen) Co., Ltd. (中集前海融資租賃（深圳）有限公司) ("**CIMC Qianhai Leasing**") and Tianjin Yongwang Machinery and Equipment Rental Co., Ltd. (天津永旺機械設備租賃有限公司) ("**Tianjin Yongwang**") entered into a partnership agreement, a cooperation agreement and a capital increase agreement with social capital such as Shenzhen Mangrove Venture Capital Co., Ltd. (深圳紅樹林創業投資有限公司), introducing external capital to jointly build and operate a D90 1# deepwater semi-submersible drilling platform and a CR600 deepwater semi-submersible living platform, which effectively reduced the debt ratio and finance burden of the offshore engineering business of the Group.

Logistics Service Business

With the development ideas of "equipment changes logistics", the Group's logistics service business took full advantage of the core advantage of logistics equipment, focused on four key business development directions of equipment logistics, systemic container services, cross-border logistics and multimodal transport through an established global logistics network layout, and created two core products of logistics equipment and logistics services, thus providing integrated logistics solutions with CIMC characteristics. After the integration completed in 2016, the logistics service business of the Group are currently divided into four business lines, i.e. container services, project logistics, equipment logistics and industry logistics. The Group has established CIMC Logistics Equipment and Technologies Research Institute to provide equipment research support and technical services to the development of its business lines.

In 2016, the logistics industry in China generally maintained stable with quality improved. The logistics industry was focusing on integration, and logistics enterprises actively explored the network building along the "Yangtze River Economic Belt" and the "Belt and Road". Merger and restructuring and alliance and cooperation between enterprises were deepening, with cross-sector and platform integration emerging. Meanwhile, "Intelligent logistics" which was marked by "internet plus" efficient logistics accelerated its development, witnessed by the establishment of professional and vertical logistics platforms with the integration of online and offline services.

In 2016, the Group's logistics service business recorded sales revenue of RMB7.129 billion (2015: RMB7.800 billion), representing a year-on-year decrease of 8.60%. It achieved net profit of RMB359 million (2015: RMB101 million), representing a year-on-year increase of 255.93%. The increase in net profit during the Reporting Period was mainly due to the income from disposal of equity interests in subsidiaries.

During the year, guiding by the overall strategies of the logistics segment and the strategies of its business lines, the Group's logistics service business lines focused on development, achieving solid and steady growth.

In respect of the container services business line, during the Reporting Period, the development strategies of four major products, i.e. container full-life circle services, leasing and sales of second-hand containers, rail-water transport and sea transport platform, during the "13th Five-Year Plan" period have been established, and the network distribution of container yards in Southeast Asia and tank container yards has been speeded up. The Group has jointly established CIMC Kaitong Logistics Development Co., Ltd., a core enterprise along the Yangtze River Basin. Several special container railway lines from East China to Southwest, from South China to Southwest and from East China to Northwest were opened in succession and were operated in a normal manner, improving the rail-water transport systems based on the Yangtze River.

In respect of the project logistics business line, we proactively explored market opportunities arising from the implementation of the "Belt and Road" strategy of the state. The "engineering project logistics" and "cross-border multimodal transport" were identified as its core products. "Zhenhua Logistics (振華物流)"and "Sino-Worlink (中世運)"，two industry-renowned brands, were strengthened and the project logistics business was expanded. In early 2016, World Railway Special Cargo (Beijing) International Logistics Co., Ltd. (世鐵特貨（北京）國際物流有限公司), which was jointly established by Sino-Worlink (Beijing) International Logistics Co., Ltd. (中世運（北京）國際物流有限公司), a subsidiary of the Group, and China Railway Special Cargo Services Co., Ltd., opened the "America-China-Mongolia/Russia" sea-railway transport special line, innovating distinct products in their respective niche markets by way of railway carriages and special transport vehicles + ro-ro ships. In the second half of 2016, it launched a "Yingkou-Manzhouli-Russia" cold chain transportation special railway line, applying revolutionary BX1K reefer flat car for railway transportation to meet the international cold chain transportation needs for areas along the railway.

In respect of the equipment logistics business line, under the business mode of "equipment changes logistics", we focused on automobile, food, energy, chemical, metallurgy, cold chain, real estate, grain and other industries to provide "equipment changes logistics" solutions. Originally high-quality businesses such as manufacturing of logistics equipment including pallet containers, and solutions for stainless steel IBC (applicable in the packaging of specialised chemicals) steadily developed. At the same time, we proactively promoted the development of steel logistics and fine minerals logistics and the innovative development of energy transportation business.

In respect of the industry logistics business line, we focused on industries and areas such as food, automobile, refined oil product and LNG, fostered and developed logistics value-added business, explored the multimodal transport model of logistics of automobiles before production and built the supply model of parts of automobiles integrating roads, railways and shipping etc. We also expanded the sales business scope of sales of oil products, wholesale and small delivery, boosted LNG tank transportation, followed design of the entire logistics clearing solution and continued to make innovation on the business mode of "traditional business + equipment + internet".

Heavy Truck Business

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

In 2016, driven by accumulative effects released by the policy of maintaining stable growth, consumption upgrading and the implementation of new standard GB1589 and the policy of strict control of overload in China during the economic restructuring carried out by China in the “New Normal”, the domestic heavy truck industry recovered; road transportation products such as high-horsepower tractor and coal, hazardous chemical, express delivery and transportation, cold chain and artery segment markets achieved fast growth; and demands for engineering vehicles such as muck trucks and sandstone transportation vehicles declining drastically for the past two years also recovered.

In 2016, C&C Trucks solidly promoted all tasks through constantly adjusting its management thoughts. A total of 5,108 N3 heavy trucks (12 tonnes and above) were manufactured, representing a year-on-year increase of 22%, with actually accumulative sales of 6,028, representing a year-on-year increase of 82%. During the Reporting Period, C&C Trucks recorded sales revenue of RMB1,726 million (2015: RMB856 million), representing a year-on-year increase of 101.50%, and its operation recorded a decrease in the loss.

In respect of the domestic market, in 2016, C&C Trucks adjusted and optimised its products continually according to the “market-oriented” concept. It focused on market demand and main products in the region, and introduced marketable products such as high-horsepower tractor, hazardous chemical transportation vehicles and urban muck trucks. Product quality and modular design ability were improved and the percentage of common parts and components was increased. It spared no effort to carry out lightweight work in which the market was interested and strived to create products with high performance-price ratio through promoting cost reduction by commerce and technology. The vehicles delivery capacity was comprehensively enhanced. As for the production system, C&C Trucks integrated its logistics resources, optimised production processes and enhanced the efficiency in all aspects, and at the same time, its production model was changed to a flexible work system, enabling the flexible production arrangements according to market conditions and the distribution mechanism was improved, which greatly strengthened employees’ enthusiasm. Marketing management was adjusted and optimised based on the “market-oriented” concept. As for front-line employees, C&C Trucks adjusted its management mechanism and increased the control of the persons in charge for the provinces and regions, to respond to market demands quickly. It expanded the scale of front-line sales personnel through encouraging supporting staff to join front-line employees. It encouraged that sales supporting staff should adhere to the concept of “service first, management second” and streamlined its business departments to improve service efficiency. In 2016, with products as the basis for cooperation, C&C Trucks proactively promoted collaboration business and has established cooperation with 11 enterprises in the Group’s road transportation vehicle segment. C&C Trucks has participated in China Truck Racing Championship with its two tractors taking the second and fourth place in all 19 vehicles.

In respect of the international market, affected by the unstable global economic situation, and the severe impact of low oil price on major export areas such as Middle East, Africa, Southeast Asia, together with the raising export threshold of automobile due to tariff barriers and trade restrictions, China's heavy truck export market remained sluggish in 2016. Under this challenging economic situation, C&C Trucks strengthened the cooperation with its overseas distributors and put more efforts on the sales of its products. C&C Trucks' sales volume in overseas markets in 2016 increased by 13% as compared with the same period in 2015 with 485 vehicles exported during the year and the ranking of C&C Trucks in the exported left-hand driving heavy truck market in China rose from 15 in 2015 to 12 in 2016. Preparations were made for the knock-down export in 2017.

Airport Facilities Equipment Business

The Group primarily operates its airport facilities equipment business through its non-wholly owned subsidiaries Pteris Global Limited, Shenzhen CIMC-Tianda Airport Support Co., Ltd. ("**CIMC Tianda**") and Albert Ziegler GmbH ("**Ziegler**"). The Group also integrates and achieves synergy with its subsidiary CFSE Group over the advantages of resources, of which principal business includes boarding bridge business, stereo garage business, fire truck and rescue vehicle business, automated logistics systems and ground support equipment (GSE).

In 2016, the global demand for airport facilities equipment was basically stable and increased. During the year, the Group's boarding bridge business won all the domestic projects it bid for; airport shuttle bus and food vehicle market grew steadily; the fire and rescue vehicle business and automated logistics system business was further expanded with net profits greatly increasing.

During the Reporting Period, the Group's airport facilities equipment business recorded sales revenue of RMB3.213 billion (2015: RMB2.820 billion), representing a year-on-year increase of 13.95%. It achieved net profit of RMB131 million (2015: RMB62 million), representing a year-on-year increase of 110.22%. In 2016, the increases in revenue and net profit were mainly due to the increase in the percentage of the fire and rescue vehicle business's contribution, the enhancement of the bargaining power of the boarding bridge business of the Group and the improvement in logistics operation.

During the Reporting Period, the strength of the Group's airport facilities equipment business was further improved:

In respect of the boarding bridge and peripheral business: in 2016, the Group's boarding bridge business continued to record steady growth in its revenue and profitability, and won all the domestic projects it bid for during the year, which further improved its market competitiveness. Shenzhen CIMC-Tianda Jirong Aero Refrigeration Company Limited (深圳中集天達吉榮航空製冷有限公司), a company newly established by the Group, acquired the aircraft air conditioning business of Guangdong Jirong Air Conditioner Company Limited (廣東吉榮空調有限公司), which was conducive to strengthening the Group's capability in bridge loading facility area.

In respect of the garage business: as an effective way to solve parking problems in cities, the construction of stereo bus stations will present many development opportunities for the garage industry. The Group's stereo bus garage business currently possesses obvious advantages on technical plans and other areas over its main competitors.

In respect of fire and rescue vehicle business: during the year, Ziegler, a subsidiary of the Group, safeguarded our ladder technologies by way of strategic cooperation and CFSE, an associated company, made breakthroughs and was certified on 30-metre ladder technologies. In 2016, Ziegler recorded growth while most of the fire vehicle companies in Europe achieved poor operating results, and in the Chinese market, CFSE and Ziegler also recorded positive growth.

In respect of the automated logistics systems business: the Group maintained its leading advantage in aviation freight stations with its brand recognition further improved. The pallet system progressed well and certain breakthroughs were made on the feed box system.

In respect of ground support equipment (GSE) business: during the Reporting Period, the Group's shuttle bus business achieved growth and optimised its connotation, with its technology advantages starting to be shown. In respect of the lifting platform vehicle business, following consolidation upon acquisition of the French enterprise Air Marrel S.A.S in 2013, it turned losses into profits and solidified the foundation for development of the engineering vehicle business.

The Group's airport facilities equipment business has experienced sales teams, and has established a standardised and organised marketing management system. At the same time, the good customer relations and market network resources of the airport field can well assist and promote the expansion of the Group's air cargo handling systems, operating vehicle businesses and fire vehicle businesses in this field.

Real Estate Development Business

The Group's real estate development business is operated mainly by its subsidiary Shenzhen CIMC Skyspace Real Estate Development Co., Ltd and its subsidiaries and CIMC Shenfa Development Co., Ltd. The main operations include the development of complex in industrial cities, development and operation of industrial parks and development of traditional real estate.

In 2016, the domestic real estate market went through from easing policies to constantly tightening policies in key cities. With the rapidly rising house prices and land prices in hot cities, the policy differentiation became more visible. On one hand, the control policies in hot cities kept tightening with the intensification of purchasing restrictions on houses and lending restrictions as well as other regulatory measures, in order to curb the speculative investments and prevent market risks. On the other hand, third-tier and fourth-tier cities still adhered to the destocking strategy for the purpose of improving market environments from both ends of the supply and demand. In terms of price, the house prices in hot cities increased remarkably and stabilised after the control measures were tightened. In terms of the supply and demand, market turnover kept running at a high level during the whole year and the deal structure showed obvious upward shift. In terms of land sales, the land market in first-tier and second-tier cities was hot and risks existed in the development of the lands with high prices.

During the Reporting Period, the Group's real estate development business recorded the areas sold of 92,000 m^2, revenue of RMB723 million (2015: RMB1,292 million), representing a year-on-year decrease of 44.03%, and net profit of RMB154 million (2015: RMB340 million), representing a year-on-year decrease of 54.74%. The decrease of sales revenue and net profit was mainly due to the decrease in the areas available for sale during the Reporting Period.

During the Reporting Period, all businesses of the Group's real estate development achieved good progress:

In respect of the industrial city development business: the operating results were relatively stable with a good development trend overall. In terms of project expansion, during the Reporting Period, the land demolition project of Shanghai CIMC Reefer Containers achieved results in a phased manner. The municipality of Shanghai completed the land reserve. The Group will participate in the listing-for-bidding of the land to be held recently with a plan to build an urban complex project following the successful bidding. Besides, the Group is in specific negotiation with relevant departments regarding the agreements of its projects in Qianhai and Prince Bay, Shenzhen and the projects are expected to be implemented in the near future.

In respect of the industrial park development and operation business: it achieved steady development and advancement. During the Reporting Period, the first phase of the CIMC Intelligence Valley project in Songshan Lake, Dongguan, Guangdong, has completed the investment invitation and several companies have set up their businesses in the park. The project received praises from the government, the society and our peers and was recognised by the Torch Centre of the Ministry of Science & Technology as a state-level technology business incubator. The business model of the industrial park of the Group showed a sustainable developing trend. As at the end of the Reporting Period, apart from the first phase of the CIMC Intelligence Valley project, the implemented industrial park projects included: CIMC Database in Xinhui, Guangdong and Qingdao Reefer Incubation Park in Jiaozhou, Qingdao. At present, the Group is in active negotiation and promotion in respect of other several projects in several regions such as Shenzhen, Beijing and Dongguan.

In respect of the traditional residential business: the Group adjusted the development strategy promptly according to the destocking trend of the industry. Certain projects in third-tier and forth-tier cities were put into cooperation with famous real estate companies to improve the productivity of the project and speed up the fund return, thereby controlling the market risk effectively.

Financial Business

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

In 2016, the global economy was still in a sluggish condition with frequent occurrence of black swan events. The domestic economy situation was complex with the downward trend of the Chinese manufacturing industry unchanged and the fluctuation of the global financial market deepened. The domestic financial leasing industry nevertheless maintained its rapid growth in spite of the mounting downward pressure on the domestic economic growth. According to the Leasing Association of China (中國租賃聯盟), as at the end of 2016, there were approximately 7,120 financial leasing companies in China, representing an increase of 2,612 as compared with those as at the end of 2015, and the balances of the financial leasing in China were approximately RMB5,330.0 billion, representing an increase of approximately RMB890.0 billion as compared with those as at the end of 2015. Meanwhile, laws, taxations and policies in relation to the domestic financial leasing industry have been improving increasingly, and the financing channels of financing leasing companies such as bank credit, asset securitisation and bonds have been expanding gradually.

During the Reporting Period, in respect of the financial business, the Group achieved revenue of RMB2.302 billion (2015: RMB1.792 billion), representing a year-on-year increase of 28.49%, and net profit of RMB824 million (2015: RMB774 million), representing a year-on-year increase of 6.46%.

During the Reporting Period, CIMC Finance Company remained composed when facing challenges. It thoroughly carried out the Group's strategy of integration of industry and finance and strengthened risk management and control with an emphasis on enhancing the comprehensive competitiveness of the industry of the Group by providing efficient and personalised financial services. In April 2016, CIMC Finance Company was approved by the People's Bank of China as the organising body to operate the cross-border two-way Renminbi capital pool business of CIMC. This further improved the centralised management system of the Group's global funds and supported the integration of the Group's global operation, thereby enhancing the Group's utilising efficiency of global funds. Meanwhile, CIMC Finance Company continuously improved the diversity and professionalism of the financial products. It enhanced its financial services by addressing the financial needs of different levels within the Group, reducing the transaction costs of the Group and improving business flexibility. In addition, CIMC Finance Company introduced the purchaser's credit business in 2016 which proactively provided financial services to the downstream of the industry chains and integrated solutions to customers. This increased the synergies of the Group's industry chains.

In 2016, facing the complicated domestic and overseas economic situation and challenges, CIMC Financial Leasing Company continued to strengthen the integration of industry and finance among the Group's other industrial segments. It increased investments in weak periodic business of low risks, actively addressed the financing needs of strategic customers, launched innovative financial products and provided diversified and three-dimensional comprehensive financial solutions. Meanwhile, CIMC Financial Leasing Company insisted on prudent and moderate risk preference, built assets disposal platform and optimised assets management system. During the year, the annual operating target was basically achieved with capital scale steadily expanded, business portfolios continuously optimised and the ability of overall risk management greatly improved, which established a solid basis for sustainable and healthy growth in the future.

Other Businesses

Modular Building Business

During the Reporting Period, the Group established CIMC Modular Building Investment Company (中集模塊化建築投資公司) based on the original Modular Building business. A one-stop service model of "manufacturing + finance + service" integrating industry and finance was developed based on the manufacturing and contracting service mode. As for the international market, the Group won the bid for the student apartment project of Newcastle University, the largest student apartment project in the English market in history during the year, demonstrating that the Modular Building products of the Group have been highly recognised by the main student apartment developers in England and CIMC has become a main suppler in the English student apartment market; the technical system certification of California, the U.S.A was passed, laying a solid foundation for entering the American market comprehensively. As for the domestic market, the Group successfully held the first summit forum for the international Modular Building in China and took part in the Shanghai International Building Industrialisation Exhibition and Shanghai International Exhibition of Advanced Building Technologies with its sample building, both of which showed the product and technology advantages and the leading position of the Group's Modular Building business in the industry; meanwhile, the Group promoted the preparation and development of the Box Steel Structure Integration Modular Building System Procedures (箱式鋼結構集成模塊建築體系規程) of the Group, which has passed the preliminary examination of the expert group. The procedures are expected to play an important role in leading and expanding the domestic Modular Building market upon passing the final examination in the first half of 2017.

Multimodal Transport Business

Leveraging on standardised equipment, multimodal transport provides integrated freight transportation services through the effective link-up of two or more ways of transportation. Multimodal transport is in its early stage of development in China. A number of policies were introduced by relevant ministries and commissions of China to encourage the development of multimodal transport. Under this backdrop, during the Reporting Period, the Group established CIMC Multimodal Transport Development Co., Ltd. (中集多式聯運發展有限公司) ("**CIMC Multimodal Transport Company**"). CIMC Multimodal Transport Company aims to maximise the Group's comprehensive advantages in brand, equipment, finance and services, utilise the advanced internet technologies to effectively link different modes of transport, and promote the widespread application of the Group's products in the multimodal transport industry, so as to create a domestic multimodal transport platform. During the Reporting Period, all businesses of CIMC Multimodal Transport Company commenced smoothly. In respect of the road-railway transport, CIMC Multimodal Transport Company launched special trains from Jiangmen to Xi'an and container trains from Guangzhou to Xi'an successively and bought open containers and tank containers at its own costs to carry out mass freight railway transportation and special cargo railway transportation such as food and coke. In addition, it has purchased a ship during the year to proactively conduct domestic rail-water transport business. In the future, CIMC Multimodal Transport Company will continue to improve the market share and profitability of its railway related business, strength the expansion of its existing business toward multimodal transport and explore and establish the most effective operation mode for domestic multimodal transport.

5.3 Business Prospects of the Group in 2017

5.3.1 Macroeconomic Environment and Policies

In 2017, it is expected that the global economic activities will increase after past years of downturn, but the development environment will be even more complicated and volatile, with uncertainties increasing significantly. According to the forecast of International Monetary Fund, benefiting from the continuous economic recovery of the United States, Europe and other developed economies, it is expected that the global economic growth will moderately rebound in 2017. However, under the influence of the protectionist measures adopted by the new president of the United States Trump after he taking command, the Brexit, the political elections of the European countries, the progressively tightening global financial conditions and other factors, the global economy, international trade and financial market will be further impacted, and the economic and financial risks will be further exaggerated. Looking ahead to 2017, China will further deepen and reinforce the supply-side structural reform and maintain a "prudent and neutral" monetary policy, and the overall economy is expected to remain steady with the annual growth rate of GDP anticipated to remain at 6.5%.

5.3.2 Industry Development Trend and Market Outlook

In respect of the container manufacturing business, CLARKSON (a British institution for dynamic analysis of shipbuilding and marine trade) predicted the growth of global container trade would be 3.2% in 2016. It also predicted that the growth of global container trade will rebound to 4.0% in 2017 while the oversupply of the shipping capacity will remain. It is expected that shipping companies will continue to focus on integration work following mergers and acquisitions and reorganisation, deepen coalition operation and maintain slow-sailing strategies which will facilitate the improvement and recovery of shipping industry in the future. In 2017, the globalisation may encounter ups and downs but the trend will remain unchanged. On the one hand, the relative improvement of the growth of container trade will bring new demands. On the other hand, the recovery of trade and shipping industry after reaching the lowest point will also help drive the needs of changing containers from shipping companies. Therefore, it is predicted that the demand of containers in 2017 will improve as compared with that of 2016.

In respect of the road transportation vehicle business, in 2017, it is expected that the overall economy of the United States will be buoyant while the semi-trailer industry in the United States will begin to experience periodical downturn. The economic recovery of the Eurozone is relatively weak. The external environment faced by emerging markets is expected to improve. The downturn pressure of China's macro-economy increases and the real estate industry remain sluggish which will weaken the overall market demands of special vehicles for projects and constructions. At the same time, the implementation of policy measures, which include advancing the management of serious over speed, passenger overload as well as overload of road traffic, regulating conformity of production, the change of yellow-label vehicles to green-label vehicles, urban environmental governance and improvement of emission standards for vehicles and so on, will accelerate industrial transformation and upgrade as well as product replacement and upgrade.

In respect of the energy, chemical and liquid food equipment business, the "Thirteenth Five Year" Plan on Energy Development (《能源發展「十三五」規劃》) issued by the National Energy Administration sets out the target of natural gas consumption accounting for 10% of primary energy consumption in 2020 (2015: 5.9%). The Natural Gas Development Report of China (2016) (《中國天然氣發展報告（2016年）》) jointly issued by the Oil and Gas Department of the National Energy Administration (國家能源局油氣司), Resources and Environment Policy Research Institution of Development and Research Center of the State Council (國務院發展研究中心資源與環境政策研究所) and Strategic Research Center of Oil and Gas Resources of the Ministry of Land and Resources (國土資源部油氣資源戰略研究中心), summaries a series of policies for promoting the use of natural gas. In the 2017 Government Work Report, it is first advocated to use clean energy vehicles. The energy, chemical and liquid food equipment business of the Group is positioned for more favourable policy environment, promising for sound prospects in the long run although subject to short-term periodical fluctuations in the industry.

In respect of the offshore engineering business, in 2017, it is expected that the international oil prices still lingered at the low level and global investment in offshore oil and gas exploration and market demand for offshore engineering equipment is unable to pick up for the time being. Yet, global oil price has witnessed substantial rebound and the global offshore engineering equipment is leaving behind its worst times. In addition, demand from the offshore wind power sector and the markets of working vessels for offshore engineering and platform dismantling are expected to increase gradually, which is expected to become a bright spot in the industry.

In respect of the logistics services business, in 2017, the domestic logistics industry will maintain the basic trend of stabilising and turning positive steadily. The growth of the logistics demands of bulk commodities which accounted for a large portion, such as iron and steel, coals, real estate and construction industry is anaemic which would affect the development of the related logistics industry. Nonetheless, the social logistics that relate to consumption, such as e-commerce, cold chain, express delivery and distribution will continue to grow rapidly. There will be more development opportunities for approaches such as asset-light platform, alliance, franchise and cooperation. Activities of mergers and reorganisations will also experience another upsurge. Under the effect of exchange rate adjustments, the exporting competitiveness of traditional manufacturing will improve gradually. The logistics demand of imports and exports is expected to enjoy a moderate recovery accordingly, although it may be also subject to from uncertainty of international trade protectionism.

In respect of the heavy truck business, in 2017, it is expected that the growth of real estate investment in China will slow down while transportation infrastructure investment will gradually show an increasing trend; and the implementation of new standard GB1589 and strict regulation of overload will push forward the replacement and upgrade of relevant vehicles. As a result, it is expected that the domestic heavy truck market will continue to recover. In niche markets, it is expected that highway transportation of daily necessities, car carriers, express delivery and transportation and cold chain will grow rapidly while growth of coals and hazardous chemicals transportation will slow down; engineering and urban construction wastes transportation will experience swift growth and sand and gravel mixture transportation will transform into the pattern of transportation by tractors or light trucks. In respect of new energy products, substantial growth is expected to be seen in the LNG heavy truck market in 2017.

In respect of the airport facilities equipment business, in 2017, the global airport business is expected to grow steadily and new growth point is expected to emerge in American market and area of new products. Boarding bridge business will greet the opportunity of renewal period in American market. Firefighting equipment business is affected by fiscal budget cuts by European countries, but it will produce better results in Chinese market. Logistics industry will grow steadily along with the industrial trend and garage business is expected to make a great breakthrough during this year. The newly-developed three-dimensional bus garage business will bring a large and brand new market.

In respect of the real estate development business, in 2017, the government will press ahead the construction of housing system through implementing different policies according to different municipal conditions, precise adjustments and controls as well as medium-and-long-term effective mechanisms in China. In 2017, it is expected that market price and volume in first-tier and second-tier cities nationwide will enter into adjusting period, but there will be opportunities in some cities. Good development chances will emerge when the stock of land and properties brought by urban industrial upgrade are enlivened and utilised. Cities supported by industries and population will be the centre of next developing trend, and in particular, can provide the industrial park business with a promising development space.

In respect of the financial business, in 2017, the domestic and overseas financial environment will become more complex and changeable accompanied by more uncertainties, which increase the chances of financial crisis. China's macro-economy still suffers from heavy downturn pressure with growth of investments in fixed assets running low and rare improvement in return on investments in real economy. China will adhere to the principle of "making progress while maintaining stability". The currency policy turns to be moderate and neutral and the fluctuation in both directions and enhanced flexibility of exchange rate of Renminbi will be more visible. In 2017, the US dollar will enter into the interest-rate raise cycle which will have big impact on US dollar financing in financial leasing projects of large scale. It is expected that China's financial leasing industry will maintain good developing momentum with financing channels more diversified while competitions will become intense.

5.3.3 Overall Operation Targets and Initiatives for Main Business Segments

In 2017, the Group will insist on implementing the strategy of "Manufacturing + Service + Finance", continue to carry out business transformation and upgrading and extend its manufacturing business to service sectors based on customer demand, thus providing a comprehensive solution that covers the whole life cycles of its products. The Group will continue to enhance its global operation, optimise its business and products, and speed up the industry cluster to cultivate its advantages on industrial chains. Innovations will be constantly made on technology upgrading, business model and management mechanism, to which the risks related will be controlled. The Group will strive to capture the opportunities brought by market changes and expand its coverage on emerging industries and innovation business to achieve sustained quality growth.

In respect of the container manufacturing business, in 2017, for the mature business, the Group will carry out structure adjustment and connotative optimisation in order to strengthen and enhance its leading position in container business and proactively seize the opportunity in market fluctuations. The Group will propel initiatives in respect of structure adjustments, such as making adjustments to optimise the production capacity structure and asset structure, exploration of adjustments to business operation models and overseas presence. The Group will adopt measures for strengthening connotative optimisation, such as the comprehensive upgrades of Health Safety Environment (HSE) which highlight the transformation to water-based paints in production lines, and internal management innovation. In respect of new business expansion, it will gradually achieve rapid development and hierarchical deployment in terms of emerging business with resource investment and mechanism protection. Meanwhile, the Group will quicken its pace of land commercialisation, search for a model combination of investment through industrial fund and direct investment, and actively explore and develop business areas, such as cold chain equipment, logistics equipment, environmental friendly energy saving and new materials etc.

In respect of the road transportation vehicle business, in 2017, the Group will continue to strive for comprehensively improving the core competency of global operations. While focusing on semi-trailer business and optimising existing business, the Group will put more efforts on exploring business growth and innovation business, to seize rapidly the opportunities arising from the changing trends and demands in the global markets and realise the continuous quality growth of the road vehicle business of the Group. In domestic market, the Group will seek for developing new profit growth by capturing opportunities brought by new regulations and prevailing hot events. In North American market, the Group will actively extend the geographical coverage of its products to set off the cyclical downtrends. In European market, the Group will continue to seek for future growth drivers. In emerging markets, the Group will develop key markets, such as Southeast Asia and Middle East, and ensure the development of mature regions.

In respect of the energy, chemical and liquid food equipment business, in 2017, CIMC Enric will continue to focus on the improvement of its core competitiveness based on connotation growth and continual innovation and strengthen the integration of enterprises that are newly acquired through merger and acquisition. As for its energy equipment business, CIMC Enric will put more efforts on expanding the market shares of its core products in China, develop from natural gas storage and transportation in the middle and downstream sectors to natural gas extraction in the upstream sector, explore new business in a proactive manner and expand the overseas market; as for the chemical equipment business, CIMC Enric will proactively expand the special tank container business and continue to promote the communication and sharing of professional knowledge, technical expertise and market network among subsidiaries in China and Europe; as for the liquid food equipment business, CIMC Enric will continue to improve the brand advantages of "Ziemann Holvrieka", strengthen the integration of Briggs and further improve its market position.

In respect of the offshore engineering business, in 2017, the Group will actively expand its business scope, deeply explore the potential orders in the oil and gas industry, the tourism industry, the deep-sea fishery industry and the power industry and built its advantage for its focused products to walk out of the downturn period of the offshore engineering market through provision of differentiated products and services. In terms of management, by sticking to lean principle, benchmarking against Kawasaki and completing E331 (Excellent Quality: 30% cost reduction, 30% efficiency enhancement and 100% plan achievement) project as its overall objective, the offshore engineering business segment of the Group will continue to promote the management topic of "profit-centric, approach management and statement of operations" so as to proactively cope with changes in the industrial environment.

In respect of the logistics services business, in 2017, the Group will achieve quality growth of the logistics services business through the following several measures: further strengthening culture integration and building in its logistics services business, optimising the business structure and organisational structure and clarifying the nature and boundaries of business. The emphasis will be placed on building a system of product planning and marketing and improving business risk management. The Group will enhance the systematic management of investment and perfect the investment network deployment both home and abroad. Moreover, the Group will encourage internal innovation and entrepreneurship, develop innovative mechanism and culture, and continue to promote the lean management, HSE management and development of informatisation, etc.

In respect of the heavy truck business, in 2017, C&C Trucks will carry out its work by strictly complying with operational principle of "market-oriented, efficiency first, risk management, management standardisation and integrity-centric" to specifically cater for the needs of market segments; it will proceed with and achieve the project of "two deceasing and one lowering", i.e. decreasing inventories, decreasing receivables and lowering doubtful debts. C&C Trucks will continue to improve versatility of parts and components and the cost performance of the products, manage orders through the whole process, raise the response efficiency of terminal service, construct credibility management system for counterparties so as to develop a partnership achieving mutual benefits on the basis of credibility and optimise the procedure for fixing post to establish a healthy organisational structure.

In respect of the airport facilities equipment business, in 2017, the Group will gradually improve the guarantee ability and achieve stable business growth of its airport facilities equipment business by way of implementing the following initiatives: conducting internal and external optimisation to continuously strengthen core competitiveness; conducting business innovation with the consideration of industrial characteristics; perfecting the human resource system; promoting risk management improvement; managing reasonably to achieve improvement; complying with the Group's strategy to promote the our corporate efficiency; combining mergers and acquisitions with strategic cooperation to enhance our corporate strength.

In respect of the real estate development business, in 2017, under the guidance of the real estate policy and property development by classification of the state, combining its own advantageous resources and development strategies, the Group will focus on revitalising its land resources in the first-tier cities, such as Shenzhen and Shanghai. The Group will keep close communication with relevant government authorities, and continue to promote the implementation of solutions of Shenzhen Qianhai Project, Shenzhen Shekou Prince Bay Project, Shanghai Baoshan Project and other projects. In the meantime, through replication of industrial park model, it will actively seek promising first-tier cities or surrounding areas of first-tier cities to boost the implementation of the industrial park projects.

In respect of the financial business, in 2017, by adhering to the Group's strategy and the principle of client-centric, CIMC Finance Company will thoroughly carry out industry amalgamation and meet with every financial need of the Group in a more systematic, in-depth and specific fashion, so as to propel the development of other industries of the Group with financial means on the basis that the centralised management of the global capital has been firmly promoted and improved. In 2017, CIMC Financial Leasing Company will continue to promote the deepening of the coordination of industry and finance, promote sustained growth of the fundamental businesses such as vehicles and energy and chemical. Meanwhile, it will introduce more resources to business of weak cyclicality and low risks, explore the financing needs of strategic major customers and enhance the ability and level of the financial innovation, aiming at ensuring the continuous and sound operation of the Company by complying with prudent and steady risk management and control policies.

5.3.4 Main Risk Factors for Future Development of the Group

Risk of economic periodic fluctuations: The industries that the principal business of the Group is engaged in are dependent on global and domestic economic performance and often vary with the economic periodical changes. In recent years, the global economy endured weak recovery; international trade and investment remained depressed; oil price continued to decline and China's economic growth slowed down, all of which have put huge pressures on traditional manufacturing industries. Affected by these factors, there are risks that the growth of the Group's various principal businesses might slow down continuously. The changes and risks in global economic environment bring higher requirements on the Group's operating and management capabilities.

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

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

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

Market competition risks: the Group is confronted with competition from domestic and foreign enterprises in respect of its principal businesses such as container manufacturing, road transportation vehicle and energy, chemical and liquid food equipment businesses. In particular, a weak demand or relative overcapacity will lead to an imbalance between supply and demand, which will cause an intensified competition in the industry. Besides, the competition pattern of the industry may change due to entry of new players or improved capacity of existing rivals.

Employment and environmental protection pressure and risks: with demographic changes in China and gradual loss of demographic dividend, China's manufacturing industries see constantly soaring labour costs. The automation represented by the robot is becoming one of key directions for future upgrading of the traditional manufacturing industries. In addition, China attaches increasing attention on environmental protection and carries out the sustainable development strategies, and strengthens the requirement of environmental protection for China's traditional manufacturing industries.

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

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

Income Analysis by Segment and Region

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

Unit: RMB thousand

	2016		2015	
Segment	**Amount**	**Percentage in total revenue (%)**	Amount	Percentage in total revenue (%)
Containers	**11,066,999**	**21.65%**	21,071,169	35.91%
Road transportation vehicles	**14,694,682**	**28.75%**	12,861,559	21.92%
Energy, chemical and liquid food equipment	**9,353,786**	**18.30%**	9,305,081	15.86%
Offshore engineering	**4,305,630**	**8.42%**	7,956,958	13.56%
Airport facilities equipment	**3,213,229**	**6.29%**	2,819,980	4.81%
Logistics services	**7,129,456**	**13.95%**	7,799,998	13.29%
Financial business	**2,302,412**	**4.50%**	1,791,929	3.05%
Real estate	**723,090**	**1.41%**	1,291,878	2.20%
Heavy trucks	**1,725,766**	**3.38%**	856,459	1.46%
Others	**2,219,576**	**4.34%**	1,153,770	1.97%
Combined offset	**(5,622,974)**	**(10.99%)**	(8,222,977)	(14.03%)
Total	**51,111,652**	**100.00%**	58,685,804	100.00%

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

Unit: RMB thousand

Region (by receivers)	**2016** Revenue	**2016** Percentage in total revenue (%)	2015 (Restated) Revenue	2015 (Restated) Percentage in total revenue (%)
China	**23,563,045**	**46.10%**	24,684,517	42.06%
America	**9,718,213**	**19.01%**	8,880,239	15.13%
Europe	**8,068,004**	**15.79%**	13,836,675	23.58%
Asia (excluding China)	**7,266,749**	**14.22%**	9,181,983	15.65%
Others	**2,495,641**	**4.88%**	2,102,390	3.58%
Total	**51,111,652**	**100.00%**	58,685,804	100.00%

In 2016, by region, revenues from America have recorded an increase, while revenues from other regions have reported a decrease. For specific analysis, please refer to the section headed "5.2 Review of Principal Businesses of the Group during the Reporting Period" herein.

Cost of Sales and Gross Profit

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

Unit: RMB thousand

Segment	**2016** Cost of sales	**2016** Percentage in total cost of sales (%)	2015 (Restated) Cost of sales	2015 (Restated) Percentage in total cost of sales (%)
Containers	**9,889,804**	**23.84%**	17,482,473	36.38%
Road transportation vehicles	**11,930,401**	**28.76%**	10,335,468	21.51%
Energy, chemical and liquid food equipment	**7,578,594**	**18.27%**	7,488,772	15.59%
Offshore engineering	**3,867,815**	**9.32%**	7,276,336	15.14%
Airport facilities equipment	**2,574,119**	**6.21%**	2,237,830	4.66%
Logistics services	**6,350,562**	**15.31%**	7,082,207	14.74%
Financial business	**1,012,075**	**2.44%**	620,569	1.29%
Real estate	**381,781**	**0.92%**	841,561	1.75%
Heavy trucks	**1,693,072**	**4.08%**	907,969	1.89%
Others	**1,967,530**	**4.74%**	948,917	1.97%
Combined offset	**(5,763,736)**	**(13.89%)**	(7,171,092)	(14.92%)
Total	**41,482,017**	**100.00%**	48,051,010	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:

Unit: RMB thousand

Segment	**2016** Gross profit	**2016** Gross profit margin (%)	2015 (Restated) Gross profit	2015 (Restated) Gross profit margin (%)
Containers	**1,177,195**	**10.64%**	3,588,696	17.03%
Road transportation vehicles	**2,764,281**	**18.81%**	2,526,091	19.64%
Energy, chemical and liquid food equipment	**1,775,192**	**18.98%**	1,816,309	19.52%
Offshore engineering	**437,815**	**10.17%**	680,622	8.55%
Airport facilities equipment	**639,110**	**19.89%**	582,150	20.64%
Logistics services	**778,894**	**10.93%**	717,791	9.20%
Financial business	**1,290,337**	**56.04%**	1,171,360	65.37%
Real estate	**341,309**	**47.20%**	450,317	34.86%
Heavy trucks	**32,694**	**1.89%**	(51,510)	(6.01%)
Others	**252,046**	**11.36%**	204,853	17.76%
Combined offset	**140,762**	**–**	(1,051,885)	–
Total	**9,629,635**	**18.84%**	10,634,794	18.12%

In 2016, the Group's cost of sales amounted to RMB41,482 million, representing a decrease of approximately 13.67% compared with RMB48,051 million (restated) in 2015; the overall gross profit margin amounted to 18.84%, remaining basically stable over previous year. For all segments, logistics services, real estate and heavy trucks segments saw an increase in their gross profit margins, while those of containers, road transportation vehicles, energy, chemical and liquid food equipment, airport facilities equipment and financial business segments recorded a decline. For specific analysis, please refer to the section headed "5.2 Review of Principal Businesses of the Group during the Reporting Period" in the Announcement.

Non-operating Income

In 2016, the Group's non-operating income amounted to RMB1,212.806 million (2015: RMB436.200 million), representing a year-on-year increase of 178.04%, mainly due to the financial subsidies received by the Group from the government and accounts payable which were unable to pay during the Reporting Period.

Technology Development Costs

In 2016, the Group's technology development costs amounted to RMB519.440 million (2015: RMB542.312 million), representing a year-on-year decrease of 4.22%.

Selling and Distribution Expenses

In 2016, the Group's selling and distribution expenses amounted to RMB2,156.980 million (2015: RMB2,574.726 million (restated)), representing a year-on-year decrease of 16.22%.

General and Administrative Expenses

In 2016, the Group's general and administrative expenses amounted to RMB4,208.598 million (2015: RMB4,146.983 million), representing a year-on-year increase of 1.49%.

Financial Expenses

In 2016, the Group's financial expenses amounted to RMB719.109 million (2015: RMB627.801 million), representing a year-on-year increase of 14.54%, mainly due to the increase in interest expenses as a result of the increase in the finance amount during the Reporting period.

Provisions for Asset Impairment

During the Reporting Period, the Group made provisions for asset impairment totalling RMB2,215.199 million (2015: RMB656.556 million), representing a year-on-year increase of 237.40%, mainly due to the significant provision made by CIMC Enric for the termination of the acquisition of the equity interest in SOE during the Reporting Period.

Income Tax Expenses

In 2016, taxes paid by the Group amounted to RMB967.068 million (2015: RMB951.825 million (restated)), representing a year-on-year increase of 1.60%. Please refer to note 9 to "8 Financial Report" in the Announcement for details.

Profits Attributable to Minority Shareholders

In 2016, the Group's profits attributable to minority shareholders amounted to RMB195.323 million (2015: RMB324.032 million (restated)), representing a year-on-year decrease of 39.72%, mainly due to the changes in profits of subsidiaries with minority shareholders.

Cash Flows

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

Unit: RMB thousand

Item	**2016**	2015	Year-on-year change
Subtotal of cash inflows of operating activities	**52,132,383**	57,320,802	(9.05%)
Subtotal of cash outflows of operating activities	**49,790,764**	60,931,025	(18.28%)
Net cash flows from operating activities	**2,341,619**	(3,610,223)	164.86%
Subtotal of cash inflows of investing activities	**2,010,159**	1,312,846	53.11%
Subtotal of cash outflows of investing activities	**8,864,814**	13,897,627	(36.21%)
Net cash flows from investing activities	**(6,854,655)**	(12,584,781)	45.53%
Subtotal of cash inflows of financing activities	**64,307,817**	64,944,199	(0.98%)
Subtotal of cash outflows of financing activities	**56,796,771**	48,438,536	17.26%
Net cash flows from financing activities	**7,511,046**	16,505,663	(54.49%)
Net increase of cash and cash equivalents	**3,079,544**	323,872	850.85%

During the Reporting Period, the subtotal of cash inflows of investing activities of the Group increased by 53.11% as compared with the same period of previous year, mainly due to the net cash received from disposal of subsidiaries and the increase in cash received from other investing activities during the Reporting Period; the subtotal of cash outflows of investing activities of the Group decreased by 36.21% as compared with the same period of previous year, mainly due to the decrease in cash paid to acquire fixed assets, intangible assets and other long-term assets as compared with the same period of previous year.

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash at bank and on hand amounted to RMB6,325.998 million (31 December 2015: RMB4,487.166 million), representing a year-on-year increase of 40.98%. The Group's cash at bank and on hand primarily consist of cash and bank deposits which are mainly denominated in RMB and US dollars.

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

Bank Loans and Other Borrowings

As at 31 December 2016, the Group's short-term borrowings, long-term borrowings, debentures payable and other current liabilities (issuance of commercial papers) totally amounted to RMB55,932.185 million (31 December 2015: RMB46,241.746 million).

Unit: RMB thousand

	31 December 2016	31 December 2015
Short-term borrowings	**15,729,787**	17,909,024
Non-current borrowings due within one year	**3,525,710**	649,003
Debentures payable due within one year	**–**	3,998,881
Long-term borrowings	**27,023,222**	23,684,838
Debentures payable	**7,986,500**	–
Other current liabilities (issuance of commercial papers)	**1,666,966**	–
Total	**55,932,185**	46,241,746

Interest capitalised by the Group for the year of 2016 was RMB507.365 million (2015: RMB423.520 million).

The Group's bank borrowings are mainly denominated in U.S. dollars, with the interest payments computed using fixed rates and floating rates. As at 31 December 2016, the Group's bank borrowings included fixed-rate borrowings of approximately RMB8,123.960 million (31 December 2015: RMB12,472.493 million) and floating-rate borrowings of approximately RMB38,154.759 million (31 December 2015: RMB29,770.372 million). The long-term borrowings are mainly expired within 5 years.

The Group's issued bonds are mainly denominated in RMB, with the interest payments computed using fixed rates. As at 31 December 2016, the remaining fixed-rate bonds issued by the Group amounted to RMB7,986.500 million (31 December 2015: RMB3,998.881 million).

Capital Structure

The Group's capital structure consists of equity interests attributable to shareholders and liabilities. As at 31 December 2016, the Group's equity interests attributable to shareholders amounted to RMB39,134.792 million (31 December 2015: RMB35,720.915 million (restated)); the total liabilities amounted to RMB85,479.956 million (31 December 2015: RMB71,336.150 million (restated)) and the total assets amounted to RMB124,614.748 million (31 December 2015: RMB107,057.065 million (restated)). The gearing ratio was 68.60% (31 December 2015: 66.63% (restated)), representing an increase of 1.97 percentage points. The gearing ratios were calculated based on our total liabilities as at the respective dates divided by our total assets. The Group is committed to maintain an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for shareholders.

Material Changes in Assets and Liabilities

Unit: RMB thousand

	31 December 2016		31 December 2015 (Restated)			Reasons for the material changes
	Amount	% of total assets	Amount	% of total assets	% change	
Long-term equity investments	2,162,217	1.74%	2,036,367	1.90%	6.18%	No material change
Construction in progress	22,769,189	18.27%	17,040,388	15.92%	33.62%	Mainly due to the increase in vessels under construction of CIMC Financial Leasing Co., Ltd.
Short-term borrowings	15,729,787	12.62%	17,909,024	16.73%	(12.17%)	No material change
Long-term borrowings	27,023,222	21.69%	23,684,838	22.12%	14.10%	No material change

Foreign Exchange Risk and Relevant Hedge

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

Interest Rate Risk

The Group is exposed to the market interest rate change risk relating to its interest-bearing bank loans and other borrowings. To minimise the impact of interest rate risk, the Group entered into certain interest rate swap contracts with many banks. As at 31 December 2016, the Group held 20 unsettled interest rate swap contracts denominated in U.S. dollars, the nominal value of which totally amounted to approximately USD1,484 million, which will be expired from 1 January 2019 to 28 June 2021 respectively. As at 31 December 2016, the fair values of the interest rate swap contracts of the Group were RMB321.371 million. Transaction costs on realisation have not been considered when calculating the fair values.

Credit Risk

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

Capital Commitments

As at 31 December 2016, the Group had contracted capital expenditure commitments of approximately RMB417.786 million (31 December 2015: RMB960.181 million), which was mainly used as fixed assets purchase contracts entered but not performed or performed partially, external investment contracts entered but not performed or performed partially and vessels manufactured for sales or lease. Please refer to note 13 to "8 Financial Report" in the Announcement for details.

Pledge of Assets

As at 31 December 2016, restricted assets of the Group totally amounted to RMB9,756.883 million (31 December 2015: RMB5,826.663 million), with details summarised as follows:

Unit: RMB thousand

	31 December 2015	Current year addition	Current year decrease	**31 December 2016**
Assets used as collateral				
– Cash at bank and on hand	1,228,043	507,691	(748,477)	**987,257**
– Notes receivable	588,835	26,806	(408,888)	**206,753**
– Long-term receivables	4,009,785	4,947,936	(792,992)	**8,164,729**
– Fixed assets	–	398,144	–	**398,144**
Total	5,826,663	5,880,577	(1,950,357)	**9,756,883**

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

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

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

Unit: RMB thousand

Major investees

Company name	**Main business**	**Equity interests of the investee held by the Company** *(%)*	**Investment made in the Reporting Period**
Retlan Manufacturing Ltd	Vehicle	63.33%	842,527

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 RMB18.7 billion in 2017, 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 2016, the Group had major contingent liabilities of approximately RMB83.248 million (31 December 2015: RMB79.940 million). Please refer to note 12 to "8 Financial Report" in the Announcement for details.

Use of Proceeds

As at 31 December 2015, the Company has issued a total of 286,096,100 new H shares to COSCO Container Industries Limited, Broad Ride Limited, and Promotor Holdings Limited at HK$13.48 per H Share, and the proceeds raised were approximately HK$3,857 million (RMB3,228 million). As at 31 December 2016, HK$571,793 (RMB511,475) of the proceeds raised was placed in the fund-raising account, and the rest had been used to replenish the working capital of the Group.

Employees and Remuneration Policies

As at 31 December 2016, there were approximately 51,299 employees of the Group (31 December 2015: 57,477) in the PRC. The total staff cost during the Reporting Period, including directors' remuneration, contribution to the retirement benefit schemes and share option schemes, amounted to approximately RMB5,925.685 million (2015: RMB6,293.535 million).

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

Employee Training Programme

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

Employee Pension Benefits

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

Share Option Incentive Scheme

The implementation of share option incentive scheme is helpful to establish an interest sharing and restraint mechanism among the directors, the management and the core employees, by which the management can better balance its long-term goal and short-term goal so as to attract and retain outstanding management candidates and key employees and stimulate sustainable value of incentives which will serve to guarantee the stable development of the Company in the long term and enhance its competitive strength.

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

Upon the consideration and approval at the eighth meeting of the seventh session of the Board in 2015, the second exercisable period for the First Tranche of Share Options has met the exercise conditions on 12 May 2015 and its actual exercisable period was from 2 June 2015 to 27 September 2020 with the total exercisable options amounting to 39,660,000. Upon the consideration and approval at the fourteenth meeting of the seventh session of the Board in 2015, the second exercisable period for the Second Tranche of Share Options has met the exercise conditions on 9 October 2015 and its actual exercisable period was from 24 October 2015 to 27 September 2020 with the total exercisable options amounting to 4,132,500. As at 26 July 2016, upon the consideration and approval at the fifth meeting of the eighth session of the Board in 2016 and the implementation on 20 July 2016 of the annual dividend distribution plan of the Company for 2015, the adjusted option exercise price for the First and Second Tranche of Share Options is RMB10.55 and RMB16.08, respectively. For relevant information about the participants, the number of options and the price of options, please refer to the announcements published in Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 13 May 2015, 10 October 2015 and 27 July 2016.

During the Reporting Period, 717,200 share options were exercised during the second exercisable period for the First Tranche of Share Options, and 40,100 share options were exercised during the second exercisable period for the Second Tranche of Share Options. The total share options exercised during the Reporting Period amounted to 757,300, representing 1.29% of the total of share option incentive scheme (adjusted).

Investment Properties

The investment properties of the Group include land use rights and buildings which have been rented or intend to be sold after value increase. The investment properties are mainly located in first-tier and second-tier cities in the coastal areas of China, such as Qingdao, Dalian, Shanghai and Chengdu, etc., while certain are located in Singapore. To reflect the values of investment properties held by the Company more truly and accurately, and to help the management and the investors of the Company to keep abreast of the true financial conditions and operating results of the Company, the Group made subsequent measurement to all investment properties under the fair value model during the Reporting Period. As at 31 December 2016, the fair values of the Group's investment properties amounted to RMB1,752,608,000, of which approximately RMB113,196,000 was attributable to plants and buildings which had not been granted the property ownership certificates due to unfinished entitling procedures. The certificates are expected to be granted in 2017. In 2016, the effect of changes in fair value of investment properties on the current profit or loss of the Group amounted to RMB75,792,000 (2015: RMB65,695,000).

Market Risks

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

Dividend Distribution

Based on the Group's 2016 operating results and taking into account the Group's overall financial position and cash flows situation, the Board recommended a final dividend of RMB0.06 per share (including applicable taxes) for the year of 2016. The proposed dividend is expected to be payable on or around 20 July 2017. The final dividend of 2016 is subject to the shareholders' approval at the forthcoming annual general meeting of the Company for the year of 2016.

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 RMB14,070,000, mainly including the provision of auditing and internal control services for the Company's needs.

7.2 On 31 March 2016, the transaction for CSHK, a wholly-owned subsidiary of COSCO SHIPPING Development to purchase the entire equity interest of COSCO HK in Long Honour was completed. On 4 May 2016, SASAC of the State Council gratuitously transferred its 100% interest in China Shipping to China COSCO Shipping. China COSCO Shipping indirectly held 432,171,843 A shares and 245,842,181 H shares of the Company through China Shipping, COSCO SHIPPING Development, Long Honour and COSCO Container Industries Limited, becoming the second largest shareholder of the Company. For relevant information, please refer to the announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the Company's website (www.cimc.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 1 April 2016 and 5 May 2016.

7.3 On 8 April 2016, as considered and approved by the third meeting of the seventh session of the Board for 2016 of the Company, the Company proposed to issue no more than 386,263,593 new A shares at an issuance price no less than RMB13.86 per share to no more than 10 qualified investors including domestic institutional investors and individual investors that meet the relevant requirements and conditions (the "**Non-public Issuance of A Shares**"). Gross proceeds shall not exceed RMB6.0 billion. The Non-public Issuance of A Shares was approved at the 2015 annual general meeting, the first 2016 A shareholders' class meeting and the first 2016 H shareholders' class meeting of the Company held on 31 May 2016. The Company submitted its application for the Non-public Issuance of A shares to the China Securities Regulatory Commission (the "**CSRC**") on 30 September 2016 and received on 14 October 2016 and 21 November 2016 the CSRC's Acceptance Notice of the Application for Administrative Permission (No. 162937) (《中國證監會行政許可申請受理通知書》(162937號)) and the Notice regarding CSRC's Feedback on the Review of Administrative Permission Items (No.162937) (《中國證監會行政許可項目審查反饋意見通知書》(162937號)) issued by the CSRC. Considering that certain matters in the Feedback still need to be resolved, the Company applied to the CSRC to cancel the Non-public Issuance of A Shares on 17 January 2017. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 9 April 2016, 1 June 2016, 15 October 2016, 22 November 2016 and 17 January 2017.

7.4 On 21 April 2016, Sharp Vision Holdings Limited, a wholly-owned subsidiary of the Company, engaged DBS Bank Ltd. to make a voluntary unconditional general cash offer to other shareholders of Pteris Global Limited ("**Pteris**", a non-wholly owned subsidiary of the Company) at S$0.735/share (later increased to S$0.85/share). As at the close date of the offer, being 1 September 2016, Sharp Vision Holdings Limited held an aggregate of 299,525,146 shares or 77.72% of Pteris. Pteris was delisted from the Singapore Exchange Limited with effect from 9.00 a.m. on 7 September 2016. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 8 September 2016.

7.5 On 23 May 2016, the 2011 first tranche of medium term note on the National Inter-bank Bond Market issued by the Company on 20 May 2011 was due and the Company repaid the principal and interests of such note on the maturity date. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 16 November 2010, 10 May 2011, 19 May 2011 and 24 May 2016.

7.6 On 31 May 2016, the Company considered and approved the Resolution on the Registration and Issuance of Medium Term Notes (including Perpetual Medium Term Notes) and Super & Short-term Commercial Papers in the PRC at the annual general meeting of 2015 which, among others, approved the issuance by the Company of RMB medium term note with a size of not more than RMB6.0 billion. On 11 August 2016, the Company issued the first tranche of the Medium Term Note for 2016 with a size of RMB3.5 billion, a coupon rate of 3.07% and a term of three years. On 22 August 2016, the Company issued 2016 Tranche II Medium Term Notes with a size of RMB2.5 billion, a coupon rate of 3.15% and a term of three years. On 17 October 2016, the Company issued 2016 Tranche III Medium Term Notes (this tranche is RMB perpetual medium term notes) with a size of RMB2.0 billion and a coupon rate of 3.89% for the first three interest-bearing years. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 1 June 2016, 13 August 2016, 23 August 2016 and 18 October 2016.

7.7 On 18 August 2016, the Company signed a strategic cooperation framework agreement with Global Logistic Properties Investment Management (China) Co., Ltd., pursuant to which both parties intend to jointly develop their logistic properties business and forge a comprehensive strategic partnership. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 19 August 2016.

7.8 On 24 August 2016, the Company signed a Sales Framework Agreement with COSCO SHIPPING Development, pursuant to which, the Group agreed to provide commodities (including but not limited to containers) to China Shipping Group, and agreed on the estimated aggregate transaction amount for the year ended 31 December 2016. The sales framework agreement expired on 31 December 2016. On 11 November 2016, the Company entered into a new framework agreement with COSCO SHIPPING Development in respect of supplies of commodities (including but not limited to containers) and agreed on the annual transaction caps from 2017 to 2019. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 25 August 2016 and 12 November 2016.

7.9 On 1 September 2016, Mr. LAM Yuk Lan, a supervisor of the Company, has tendered his resignation from the office of the supervisor representing shareholder of the Company due to his change of work arrangement. At the first extraordinary general meeting of 2016 of the Company held on 20 December 2016, the resignation of Mr. LAM Yuk Lan was approved and Mr. LV Shengzhou was appointed as a supervisor representing shareholder of the eighth session of the supervisory committee of the Company. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 2 September 2016 and 20 December 2016.

7.10 On 7 December 2016, CIMC HK and CIMC Offshore Holdings Limited, wholly-owned subsidiaries of the Company, entered into a capital increase agreement with Future Industry Investment Fund, pursuant to which, Future Industry Investment Fund made a capital contribution to CIMC Offshore in USD equivalent to RMB1,000.00 million and obtained 15% equity interest in CIMC Offshore in return. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 7 December 2016.

7.11 On 20 December 2016, Shanghai CIMC Reefer Containers Co., Ltd. ("**Shanghai CIMC Reefer**"), a non-wholly owned subsidiary of the Company, entered into the "Agreement on Compensation for Demolition and Relocation of Non-residential Buildings for Construction of Luodian Residential Community" (《大型居住社區羅店基地（非居住）房屋拆遷補償協議書》) with Shanghai Baoshan Land Reserve Center (上海市寶山區土地儲備中心). Shanghai Baoshan Land Reserve Center paid compensation of RMB572,258,463 in relation to the relocation of land of Shanghai CIMC Reefer located at No. 6888, Hutai Road, Baoshan District, Shanghai with an area of 290.55 Mu and the buildings, equipment and auxiliary facilities thereon. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 20 December 2016.

7.12 On 23 December 2016, CIMC Offshore Engineering signed a partnership agreement with Shenzhen Mangrove Venture Capital Co., Ltd. (深圳紅樹林創業投資有限公司) and China Industrial International Trust Co., Ltd. (興業國際信託有限公司) to jointly establish Tianjin Lanshui Offshore Partnership (Limited Partnership) (天津藍水海洋工程合夥企業（有限合夥）) ("**Tianjin Lanshui**"). On 28 December 2016, the Company's subsidiary CIMC Qianhai Leasing and Tianjin Yongwang signed a cooperation agreement and a capital increase agreement with Tianjin Lanshui in relation to contribution of additional capital to Tianjin Yongwang and cooperation in the construction of the D90 1# platform and the CR600 platform. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 23 December 2016 and 28 December 2016.

7.13 On 29 December 2016, the Resolution on the Change in Accounting Policy was considered and approved by the Board and the supervisory committee of the Company, respectively, pursuant to which, it is agreed the Company to change the accounting policy on the measurement of its investment property from historical cost measurement to fair value measurement. For detailed information, please refer to the relevant announcements published in China Securities Journal, Shanghai Securities News, Securities Times, Cninfo website (www.cninfo.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cimc.com) on 29 December 2016.

8 FINANCIAL REPORT

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

√ Yes ☐ No

***Changes in critical accounting policies* – the measurement of investment properties changes from cost mode to fair value mode:**

As considered and approved by the Board and the supervisor committee of the Group on 29 December 2016, in accordance with the requirements under Accounting Standards for Business Enterprises No.3 – Investment Properties and the Accounting Standards for Business Enterprises No. 28 – Changes in Accounting Policies and Estimates and Corrections of Errors, and in order to provide more reliable and more relevant accounting information, the measurement of investment properties of the Group changed from cost mode to fair value mode. The date of the change in accounting policy shall be the date on which the same was considered and approved by the Board.

In accordance with the requirements of above-mentioned standards, under the fair value measurement model, no provision for depreciation or amortisation of investment properties will be made, instead, the carrying amount of investment properties will be adjusted based on their fair value as at the balance sheet date, and the difference between the fair value and the initial carrying amount will be included in profit or loss of the period. Enterprises should account the change from cost mode to fair value mode as changes in account policies, and adjust the retained earnings at the beginning of the period based on the difference between the fair value and carry amount when measurement mode changes. When fair value mode is adopted for the measurement of investment properties, a change to the cost mode from the fair value mode is not allowed.

In accordance with the requirements of above-mentioned standards, retrospective adjustments have been made to the items such as investment properties and other comprehensive income in the comparative financial statements, the accumulated effect of which are stated as follows:

	1 January 2015 (Restated)	31 December 2015 (Restated)	**31 December 2016**
Increase in investment properties	187,843	291,354	**480,790**
Increase in deferred tax assets	2,540	2,540	**2,200**
Increase in deferred tax liabilities	48,796	66,821	**112,598**
Increase in taxes payable	–	1,034	**3,383**
Increase in other comprehensive income	–	3,653	**56,589**
Increase in minority interests	51,532	79,723	**128,633**
Increase in undistributed profits	90,055	142,663	**181,787**

		2015	**2016**
Decrease in cost of sales	–	30,233	**11,392**
Decrease in selling and distribution expenses	–	190	**190**
Increase in gains or losses from changes in fair value	–	65,695	**75,792**
Increase in income tax expense	–	17,434	**22,951**
Increase in profit or loss attributable to minority shareholders	–	26,076	**25,299**

The change in accounting policy has no impact on the Company.

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

☐ Yes √ No

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

The changes in the scope of consolidation for the current year are mainly due to subsidiaries that were newly acquired, established or disposed of.

A subsidiary newly included in the scope of consolidation for the current year is Retlan Manufacturing Ltd. A subsidiary that ceases to be included in the scope of consolidation for the current year is Shanghai CIMC Yangshan Container Service Co., Ltd.

There was no significant subsidiary, special purpose entity, business entity controlled through entrusted management or leasing that was excluded from the scope of consolidation for the current year.

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

☐ Yes √ No

8.5 Financial Statements Prepared in Accordance with CASBE

8.5.1 Consolidated Balance Sheet (audited)

Unit: RMB thousand

	Note	**31 December 2016**	31 December 2015 (Restated)	1 January 2015 (Restated)
Assets				
Current assets:				
Cash at bank and on hand		**6,325,998**	4,487,166	3,667,387
Financial assets at fair value through profit or loss		**141,160**	133,294	427,669
Notes receivable		**1,536,191**	1,369,632	1,591,694
Accounts receivable	*4*	**11,526,075**	10,667,049	11,480,465
Advance to suppliers		**2,165,982**	3,290,194	5,223,351
Interest receivable		**9,250**	10,842	3,968
Dividend receivable		**41,959**	12,345	10,427
Other receivables		**9,347,887**	3,253,650	2,574,975
Inventories		**17,409,515**	16,416,646	16,773,431
Assets classified as held for sale		**203,847**	–	–
Current portion of non-current assets		**3,941,689**	3,228,668	2,388,975
Other current assets		**702,478**	660,839	1,029,835
Total current assets		**53,352,031**	43,530,325	45,172,177
Non-current assets:				
Financial assets at fair value through profit or loss		**325,187**	19,755	–
Available-for-sale financial assets		**442,726**	420,858	396,025
Long-term receivables		**13,220,242**	12,734,564	3,449,542
Long-term equity investments		**2,162,217**	2,036,367	1,165,674
Investment properties		**1,752,608**	730,168	553,398
Fixed assets		**22,037,261**	21,848,053	19,051,137
Construction in progress		**22,769,189**	17,040,388	10,460,940
Disposal of fixed assets		**130,050**	99,506	–
Intangible assets		**4,654,757**	4,983,558	4,355,832
Development costs		**49,990**	22,966	41,705
Goodwill		**2,127,893**	1,762,141	1,663,747
Long-term prepaid expenses		**246,574**	165,711	194,163
Deferred tax assets		**1,257,670**	1,197,002	1,120,284
Other non-current assets		**86,353**	465,703	341,940
Total non-current assets		**71,262,717**	63,526,740	42,794,387
Total assets		**124,614,748**	107,057,065	87,966,564

8.5.1 Consolidated Balance Sheet (audited) (Continued)

Unit: RMB thousand

	Note	**31 December 2016**	31 December 2015 (Restated)	1 January 2015 (Restated)
Liabilities and shareholders' equity				
Current liabilities:				
Short-term borrowings		**15,729,787**	17,909,024	11,239,527
Financial liabilities at fair value through profit or loss		**141,806**	250,769	103,657
Notes payable		**1,551,582**	1,749,077	1,684,016
Accounts payable	*5*	**10,160,951**	8,893,005	11,364,903
Advances from customers		**3,780,694**	2,763,511	3,054,783
Employee benefits payable		**2,115,108**	2,234,271	2,306,294
Taxes payable		**1,092,030**	924,171	799,775
Interest payable		**303,375**	216,374	185,780
Dividends payable		**16,746**	56,034	47,973
Other payables		**5,154,073**	5,285,014	5,286,952
Provisions		**847,429**	875,498	761,052
Current portion of non-current liabilities		**3,667,872**	4,765,523	4,052,854
Other current liabilities		**1,687,762**	–	2,452,511
Total current liabilities		**46,249,215**	45,922,271	43,340,077
Non-current liabilities:				
Financial liabilities at fair value through profit or loss		**61,235**	55,471	73,884
Long-term borrowings		**27,023,222**	23,684,838	11,110,296
Debentures payable		**7,986,500**	–	4,455,080
Long-term payables		**529,372**	550,136	672,562
Payables for specific projects		**9,704**	5,834	4,945
Deferred income		**839,738**	511,662	467,623
Deferred tax liabilities		**657,414**	534,303	418,395
Other non-current liabilities		**2,123,556**	71,635	–
Total non-current liabilities		**39,230,741**	25,413,879	17,202,785
Total liabilities		**85,479,956**	71,336,150	60,542,862
Shareholders' equity:				
Share capital		**2,978,577**	2,977,820	2,672,629
Other equity instruments		**2,049,035**	2,033,043	–
Capital surplus		**3,126,585**	3,181,863	686,506
Other comprehensive income		**357,341**	(514,477)	(847,187)
Surplus reserve		**3,279,379**	3,203,578	3,126,406
Undistributed profits	*6*	**17,495,053**	17,805,808	16,742,015
Total equity attributable to shareholders and other equity holders of the Company		**29,285,970**	28,687,635	22,380,369
Minority interests		**9,848,822**	7,033,280	5,043,333
Total shareholders' equity		**39,134,792**	35,720,915	27,423,702
Total liabilities and shareholders' equity		**124,614,748**	107,057,065	87,966,564

8.5.2 Balance Sheet of the Company (audited)

Unit: RMB thousand

	31 December 2016	31 December 2015
Assets		
Current assets:		
Cash at bank and on hand	**2,660,222**	1,597,446
Dividends receivable	**4,755,818**	4,604,445
Other receivables	**13,131,416**	12,363,102
Other current assets	**9,272**	16,264
Total current assets	**20,556,728**	18,581,257
Non-current assets:		
Available-for-sale financial assets	**388,905**	388,905
Long-term equity investments	**9,375,276**	8,509,530
Fixed assets	**102,372**	106,808
Construction in progress	**844**	4,031
Intangible assets	**14,466**	14,724
Long-term prepaid expenses	**40,730**	14,782
Deferred tax assets	**52,280**	216,448
Total non-current assets	**9,974,873**	9,255,228
Total assets	**30,531,601**	27,836,485

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

Unit: RMB thousand

	31 December 2016	31 December 2015
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	**2,710,000**	–
Financial liabilities at fair value through profit or loss	**65**	–
Accounts payable	**–**	15,837
Employee benefits payable	**205,760**	851,536
Taxes payable	**3,646**	12,820
Interest payable	**75,755**	129,200
Other payables	**2,990,804**	7,583,245
Provisions	**79,104**	–
Current portion of non-current liabilities	**800,000**	4,059,881
Total current liabilities	**6,865,134**	12,652,519
Non-current liabilities:		
Financial liabilities at fair value through profit or loss	**3,296**	14,256
Long-term borrowings	**1,621,000**	2,215,000
Debentures payable	**7,986,500**	–
Deferred income	**37,429**	13,800
Total non-current liabilities	**9,648,225**	2,243,056
Total liabilities	**16,513,359**	14,895,575
Shareholders' equity:		
Share capital	**2,978,577**	2,977,820
Other equity instruments	**2,049,035**	2,033,043
Capital surplus	**3,287,149**	3,279,575
Other comprehensive income	**43,754**	43,754
Surplus reserve	**3,279,379**	3,203,578
Undistributed profits	**2,380,348**	1,403,140
Total equity of shareholders and other equity holders	**14,018,242**	12,940,910
Total liabilities and shareholders' equity	**30,531,601**	27,836,485

8.5.3 Consolidated Income Statement (audited)

Unit: RMB thousand

Item		Note	2016	2015 (Restated)
I.	**Revenue**	7	**51,111,652**	58,685,804
	Less: Cost of sales	7	**41,482,017**	48,051,010
	Taxes and surcharges		**503,099**	433,030
	Selling and distribution expenses		**2,156,980**	2,574,726
	General and administrative expenses		**4,208,598**	4,146,983
	Financial expenses – net		**719,109**	627,801
	Asset impairment losses	8	**2,089,634**	551,170
	Add: Profit/(loss) from changes in fair value		**613,913**	(37,336)
	Investment Income		**234,410**	776,106
	Including: Share of profit of associates and joint ventures		**87,266**	241,649
II.	**Operating profit**		**800,538**	3,039,854
	Add: Non-operating income		**1,212,806**	436,200
	Including: Gains on disposal of non-current assets		**451,565**	33,876
	Less: Non-operating expenses		**311,293**	173,584
	Including: Losses on disposal of non-current assets		**187,013**	51,464
III.	**Total profit**		**1,702,051**	3,302,470
	Less: Income tax expenses	9	**967,068**	951,825
IV.	**Net profit**		**734,983**	2,350,645
	Net profit attributable to shareholders and other equity holders of the Company		**539,660**	2,026,613
	Profit or loss attributable to minority shareholders		**195,323**	324,032
V.	**Other comprehensive income, net of tax**		**967,346**	325,186
	Attributable to shareholders and other equity holders of the Company		**871,818**	332,710
	Items that may be reclassified subsequently to profit or loss		**871,818**	332,710
	Change in fair value of available-for-sale financial assets		**(104)**	(5,172)
	Gain of cash flow hedges		**4,154**	1,138
	The amount of fair value at the date of transfer exceeded the carrying value of investment properties transferred from fixed assets and intangible assets		**477,398**	3,653
	Currency translation differences		**390,370**	333,091
	Minority interests		**95,528**	(7,524)
VI.	**Total comprehensive income**		**1,702,329**	2,675,831
	Attributable to shareholders and other equity holders of the Company		**1,411,478**	2,359,323
	Minority interests		**290,851**	316,508
VII.	**Earnings per share**			
	(I) Basic earnings per share (RMB)	10(1)	**0.14**	0.74
	(II) Diluted earnings per share (RMB)	10(2)	**0.14**	0.73

8.5.4 Income Statement of the Company (audited)

Unit: RMB thousand

Item		2016	2015
I.	**Revenue**	**156,526**	298,919
	Less: Cost of sales	**24,006**	40,576
	Tax and surcharges	**3,373**	33,661
	General and administrative expenses	**(285,476)**	235,671
	Financial expenses – net	**(353,608)**	(19,667)
	Add: Profit or loss from changes in fair value	**10,895**	7,051
	Investment income	**1,259,065**	700,870
II.	**Operating profit**	**2,038,191**	716,599
	Add: Non-operating income	**33,173**	40,432
	Including: Profits on disposal of non-current assets	**116**	–
	Less: Non-operating Expenses	**79,573**	1,362
	Including: Losses on disposal of non-current assets	**66**	62
III.	**Total profit**	**1,991,791**	755,669
	Less: Income tax expenses/(income)	**164,168**	(16,046)
IV.	**Net profit**	**1,827,623**	771,715
V.	**Net amount of other comprehensive income, net of tax**	**–**	–
VI.	**Total comprehensive income**	**1,827,623**	771,715

8.5.5 Consolidated Cash Flow Statement (audited)

Unit: RMB thousand

Item		2016	2015
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods or rendering of services	**49,660,627**	54,618,350
	Refund of taxes and surcharges	**1,996,152**	2,211,257
	Other cash received relating to operating activities	**475,604**	491,195
	Sub-total of cash inflows	**52,132,383**	57,320,802
	Cash paid for goods and services	**37,875,868**	48,172,223
	Cash paid to and on behalf of employees	**6,052,008**	6,275,514
	Payments of taxes and surcharges	**1,292,403**	1,611,817
	Cash paid relating to other operating activities	**4,570,485**	4,871,471
	Sub-total of cash outflows	**49,790,764**	60,931,025
	Net cash flows from operating activities	**2,341,619**	(3,610,223)
II.	**Cash flows from investing activities:**		
	Cash received from disposal of investments	**227,461**	480,195
	Cash received from returns on investments	**224,760**	14,086
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**904,597**	775,681
	Net cash received from disposal of subsidiaries	**206,421**	–
	Cash received relating to other investing activities	**446,920**	42,884
	Sub-total of cash inflows from investing activities	**2,010,159**	1,312,846
	Cash paid to acquire fixed assets, intangible assets and other long-term assets	**7,239,592**	12,346,982
	Cash paid to acquire investments	**886,860**	1,379,263
	Net cash paid to acquire subsidiaries	**738,362**	171,382
	Sub-total of cash outflows from investing activities	**8,864,814**	13,897,627
	Net cash flows from investing activities	**(6,854,655)**	(12,584,781)

8.5.5 Consolidated Cash Flow Statement (audited) (Continued)

Unit: RMB thousand

Item	2016	2015
III. Cash flows from financing activities:		
Cash received from capital contributions	**1,768,906**	3,732,151
Including: Cash received from capital contributions by minority shareholders of subsidiaries	**1,760,575**	284,172
Cash received from issue of perpetual bonds	**–**	1,981,143
Cash received from borrowings	**54,548,656**	58,969,912
Cash received from issue of bonds	**7,986,500**	–
Cash received relating to other financing activities	**3,755**	260,993
Sub-total of cash inflows from financing activities	**64,307,817**	64,944,199
Cash repayments of borrowings	**52,820,203**	45,955,221
Cash payments for distribution of dividends or profits or interest expenses	**3,228,079**	2,405,885
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	**161,253**	107,638
Cash payments relating to other financing activities	**748,489**	77,430
Sub-total of cash outflows from financing activities	**56,796,771**	48,438,536
Net cash flows from financing activities	**7,511,046**	16,505,663
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**81,534**	13,213
V. Net increase in cash and cash equivalents	**3,079,544**	323,872
Add: Cash and cash equivalents at the beginning of the year	**3,259,123**	2,935,251
VI. Cash and cash equivalents at the end of the year	**6,338,667**	3,259,123

8.5.6 Cash Flow Statement of the Company (audited)

Unit: RMB thousand

Item		2016	2015
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	**156,526**	298,919
	Cash received relating to other operating activities	**257,702**	1,165,577
	Sub-total of cash inflows from operating activities	**414,228**	1,464,496
	Cash paid for goods and services	**39,842**	24,739
	Cash paid to and on behalf of employees	**219,452**	114,728
	Payments of taxes and surcharges	**16,698**	31,121
	Cash paid relating to other operating activities	**4,933,042**	4,926,813
	Sub-total of cash outflows from operating activities	**5,209,034**	5,097,401
	Net cash flows from operating activities	**(4,794,806)**	(3,632,905)
II.	**Cash flows from investing activities:**		
	Cash received from disposal of investments	**–**	155,490
	Cash received from returns on investments	**245,460**	568,911
	Net cash received from disposal of fixed assets	**3,037**	1,307
	Net cash received from disposal of subsidiaries	**8,944**	299,624
	Sub-total of cash inflows from investing activities	**257,441**	1,025,332
	Cash paid to acquire fixed assets and other long-term assets	**41,191**	7,671
	Net cash paid to acquire subsidiaries and other business units	**77,991**	620,000
	Sub-total of cash outflows from investing activities	**119,182**	627,671
	Net cash flows from investing activities	**138,259**	397,661

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

Unit: RMB thousand

Item		2016	2015
III.	**Cash flows from financing activities:**		
	Cash received from borrowings and cash inflows from financing activities	**8,176,000**	1,415,000
	Cash received from issue of bonds	**7,986,500**	–
	Cash received from issue of perpetual bonds	**–**	1,981,143
	Cash received from capital contributions	**8,331**	3,447,979
	Sub-total of cash inflows from financing activities	**16,170,831**	6,844,122
	Cash repayments of borrowings	**9,319,881**	2,576,000
	Cash payments for distribution of dividends or profits or interest expenses	**1,126,037**	1,197,902
	Cash paid relating to other financing activities	**6,189**	13,837
	Sub-total of cash outflows from financing activities	**10,452,107**	3,787,739
	Net cash flows from financing activities	**5,718,724**	3,056,383
IV.	**Effect of foreign exchange rate changes on cash and cash equivalents**	**428**	514
V.	**Net increase/(decrease) in cash and cash equivalents**	**1,062,605**	(178,347)
	Add: Cash and cash equivalents at the beginning of the year	**652,865**	831,212
VI.	**Cash and cash equivalents at the end of the year**	**1,715,470**	652,865

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

Unit: RMB thousand

2016 — Equity attributable to shareholders and other equity holders of the Company

Item	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
I. Balance at 31 December 2015	2,977,820	2,033,043	3,181,863	(514,477)	3,203,578	17,805,808	7,033,280	35,720,915
Add: Changes in accounting policies	–	–	–	–	–	–	–	–
II. Balance at 1 January 2016	2,977,820	2,033,043	3,181,863	(514,477)	3,203,578	17,805,808	7,033,280	35,720,915
III. Movements for the year								
(I) Total comprehensive income								
1. Net profit	–	119,792	–	–	–	419,868	195,323	734,983
2. Other comprehensive income	–	–	–	871,818	–	–	95,528	967,346
Sub-total of 1&2	–	119,792	–	871,818	–	419,868	290,851	1,702,329
(II) Capital contributions and withdrawal by owners								
1. Capital contributions by owners	–	–	–	–	–	–	–	–
2. Increase in capital resulting from the exercise of share options by the Company	757	–	7,574	–	–	–	–	8,331
3. Contributions by minority shareholders	–	–	227,441	–	–	–	3,330,875	3,558,316
4. Increase in minority interests resulting from acquisition or establishment of subsidiary	–	–	–	–	–	–	29,565	29,565
5. Decrease in capital surplus resulting from acquisition of minority interests of subsidiaries	–	–	(22,239)	–	–	–	(726,250)	(748,489)
6. Disposal of subsidiaries (without loss of control)	–	–	903	–	–	–	8,097	9,000
7. Disposal of subsidiaries (loss of control)	–	–	–	–	–	–	(7,762)	(7,762)
8. Increase in capital resulting from the exercise of share options by subsidiaries	–	–	1,692	–	–	–	2,063	3,755
9. Increase in shareholders' equity resulting from share-based payments	–	–	22,316	–	–	–	10,068	32,384
10. Issue of other equity instruments	–	–	–	–	–	–	–	–
11. Recognition of the buyback options granted to minority shareholders	–	–	(300,000)	–	–	–	–	(300,000)
12. Others	–	–	7,035	–	–	–	–	7,035
(III) Profit distribution								
1. Appropriation to surplus reserve	–	–	–	–	75,801	(75,801)	–	–
2. Profit distribution to shareholders	–	–	–	–	–	(654,822)	(121,965)	(776,787)
3. Interests paid on other equity instruments	–	(103,800)	–	–	–	–	–	(103,800)
IV. Balance at 31 December 2016	2,978,577	2,049,035	3,126,585	357,341	3,279,379	17,495,053	9,848,822	39,134,792

2015 — Equity attributable to shareholders of the Company

Item	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
I. Balance at 31 December 2015	2,672,629	–	686,506	(847,187)	3,126,406	16,651,960	4,991,801	27,282,115
Add: Changes in accounting policies	–	–	–	–	–	90,055	51,532	141,587
II. Balance at 1 January 2016	2,672,629	–	686,506	(847,187)	3,126,406	16,742,015	5,043,333	27,423,702
III. Movements for the year								
(I) Total comprehensive income								
1. Net profit	–	51,900	–	–	–	1,974,713	324,032	2,350,645
2. Other comprehensive income	–	–	–	332,710	–	–	(7,524)	325,186
Sub-total of 1&2	–	51,900	–	332,710	–	1,974,713	316,508	2,675,831
(II) Capital contributions and withdrawal by owners								
1. Capital contributions by owners	286,096	–	2,941,543	–	–	–	–	3,227,639
2. Increase in capital resulting from the exercise of share options by the Company	19,095	–	201,245	–	–	–	–	220,340
3. Contributions by minority shareholders	–	–	106,284	–	–	–	1,478,518	1,584,802
4. Increase in minority interests resulting from acquisition or establishment of subsidiary	–	–	–	–	–	–	168,598	168,598
5. Decrease in capital surplus resulting from acquisition of minority interests of subsidiaries	–	–	(4)	–	–	–	(77,426)	(77,430)
6. Disposal of subsidiaries (without loss of control)	–	–	441,939	–	–	–	190,022	631,961
7. Disposal of subsidiaries (loss of control)	–	–	–	–	–	–	–	–
8. Increase in capital resulting from the exercise of share options by subsidiaries	–	–	(1,876)	–	–	–	13,274	11,398
9. Increase in shareholders' equity resulting from share-based payments	–	–	46,218	–	–	–	16,152	62,370
10. Issue of other equity instruments	–	1,981,143	–	–	–	–	–	1,981,143
11. Recognition of the buyback options granted to minority shareholders	–	–	(1,249,826)	–	–	–	–	(1,249,826)
12. Others	–	–	9,834	–	–	–	–	9,834
(III) Profit distribution								
1. Appropriation to surplus reserve	–	–	–	–	77,172	(77,172)	–	–
2. Profit distribution to shareholders	–	–	–	–	–	(833,748)	(115,699)	(949,447)
3. Interests paid on other equity instruments	–	–	–	–	–	–	–	–
IV. Balance at 31 December 2016	2,977,820	2,033,043	3,181,863	(514,477)	3,203,578	17,805,808	7,033,280	35,720,915

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

Unit: RMB thousand

Item	2016							2015						
	Share capital	**Other equity instruments**	**Capital surplus**	**Other comprehensive income**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equity**	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at 31 December 2015	**2,977,820**	**2,033,043**	**3,279,575**	**43,754**	**3,203,578**	**1,403,140**	**12,940,910**	2,672,629	–	129,788	43,754	3,126,406	1,594,245	7,566,822
II. Movements for the year														
(I) Total comprehensive income														
1. Net profit	–	**119,792**	–	–	–	**1,707,831**	**1,827,623**	–	51,900	–	–	–	719,815	771,715
2. Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total of 1&2	–	**119,792**	–	–	–	**1,707,831**	**1,827,623**	–	51,900	–	–	–	719,815	771,715
(II) Capital contributions and withdrawal by owners														
1. Capital contributions by owners	–	–	–	–	–	–	–	286,096	–	2,941,543	–	–	–	3,227,639
2. Increase in shareholders' equity resulting from share-based payments	–	–	–	–	–	–	–	–	–	6,999	–	–	–	6,999
3. Increase in capital resulting from the exercise of share options by the Company	**757**	–	**7,574**	–	–	–	**8,331**	19,095	–	201,245	–	–	–	220,340
4. Issue of other equity instruments	–	–	–	–	–	–	–	–	1,981,143	–	–	–	–	1,981,143
(III) Profit distribution														
1. Appropriation to surplus reserve	–	–	–	–	**75,801**	**(75,801)**	–	–	–	–	–	77,172	(77,172)	–
2. Profit distribution to shareholders	–	–	–	–	–	**(654,822)**	**(654,822)**	–	–	–	–	–	(833,748)	(833,748)
3. Interests paid on other equity instruments	–	**(103,800)**	–	–	–	–	**(103,800)**	–	–	–	–	–	–	–
III. Balance at 31 December 2016	**2,978,577**	**2,049,035**	**3,287,149**	**43,754**	**3,279,379**	**2,380,348**	**14,018,242**	2,977,820	2,033,043	3,279,575	43,754	3,203,578	1,403,140	12,940,910

Notes:

1. BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as of 31 December 2016 and of their financial performance, cash flows and other information for the year then ended.

3. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Owners' equity of subsidiaries, profit or loss and comprehensive income not attributable to the Company are recorded as minority interests, profit or loss attributable to minority shareholders and comprehensive income attributable to minority shareholders, respectively, and are presented separately within the items of owners' equity, net profit and total comprehensive income in the consolidated financial statements.

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

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

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

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

4. ACCOUNTS RECEIVABLE

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

Unit: RMB thousand

	31 December 2016	31 December 2015
Containers	**2,540,433**	2,866,510
Road transportation vehicles	**2,396,644**	1,965,433
Energy, chemical and liquid food equipment	**3,220,025**	2,914,140
Offshore engineering	**244,655**	286,859
Airport facilities equipment	**1,255,195**	1,140,820
Logistics services	**1,159,172**	1,011,101
Heavy trucks	**769,250**	477,892
Others	**569,937**	465,788
Subtotal	**12,155,311**	11,128,543
Less: Provision for bad debts	**(629,236)**	(461,494)
Total	**11,526,075**	10,667,049

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

Unit: RMB thousand

	31 December 2016	31 December 2015
Within 1 year (inclusive)	**10,329,997**	9,772,401
1 to 2 years (inclusive)	**989,469**	784,534
2 to 3 years (inclusive)	**548,922**	394,997
Over 3 years	**286,923**	176,611
Subtotal	**12,155,311**	11,128,543
Less: Provision for bad debts	**(629,236)**	(461,494)
Total	**11,526,075**	10,667,049

5. ACCOUNTS PAYABLE

(1) The accounts payable is as follows:

Unit: RMB thousand

	31 December 2016	31 December 2015
Due to raw materials suppliers	**8,303,845**	7,574,540
Due to integrated logistics service providers	**461,925**	358,539
Due to engineering contractors	**259,029**	335,406
Due to engineering suppliers	**658,048**	272,175
Due to equipment suppliers	**150,029**	209,973
Transportation fees	**135,159**	69,655
Processing fees	**129,178**	36,664
Others	**63,738**	36,053
Total	**10,160,951**	8,893,005

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

Unit: RMB thousand

	31 December 2016	31 December 2015
With 1 year (inclusive)	**9,535,350**	8,513,311
1 to 2 years (inclusive)	**414,188**	286,922
2 to 3 years (inclusive)	**153,893**	42,221
Over 3 years	**57,520**	50,551
Total	**10,160,951**	8,893,005

6. UNDISTRIBUTED PROFITS

Unit: RMB thousand

	Note	**2016**	2015 (Restated)
Undistributed profits at the beginning of the year (before adjustment)		**17,805,808**	16,651,960
Changes in accounting policies		**–**	90,055
Undistributed profits at the beginning of the year (adjusted)		**17,805,808**	16,742,015
Add: Net profit attributable to shareholders and other equity holders of the Company for the current year		**539,660**	2,026,613
Less: Effect of issue of perpetual bonds		**(119,792)**	(51,900)
Less: Appropriation to surplus reserve		**(75,801)**	(77,172)
Less: Ordinary share dividends payable	*(1)*	**(654,822)**	(833,748)
Undistributed profits at the end of the year		**17,495,053**	17,805,808

(1) Dividends of ordinary shares declared during the year

Unit: RMB thousand

	2016	2015
Dividends proposed but not declared at the end of the year	**–**	–
Total proposed dividends in the year	**654,822**	833,748

In accordance with the resolution at the general meeting of the Company, dated on 31 May 2016, the Company paid a cash dividend in the amount of RMB0.22 per share to the ordinary shareholders on 20 July 2016 (2015: RMB0.31 per share), amounting to RMB654,822,000 calculated by issued shares (2015: RMB833,748,000).

7. REVENUE AND COST OF SALES

Unit: RMB thousand

	2016	2015 (Restated)
Revenue from principal operations	**49,960,016**	57,259,634
Revenue from other operations	**1,151,636**	1,426,170
Total	**51,111,652**	58,685,804
Cost of sales from principal operations	**41,019,009**	47,398,722
Cost sales from other operations	**463,008**	652,288
Total	**41,482,017**	48,051,010

8. ASSET IMPAIRMENT LOSSES

Unit: RMB thousand

	2016	2015
Provision for doubtful debts of other receivables	**1,403,702**	23,024
Provision for doubtful debts of current portion of non-current assets	**205,073**	(7,685)
Provision for doubtful debts of accounts receivables	**174,954**	68,693
Provision for decline in value of inventories	**100,725**	92,239
Provision for impairment of goodwill	**77,557**	38,149
Provision for doubtful debts of long-term receivables	**66,356**	284,641
Provision for decline in value of advances to suppliers	**46,716**	23,839
Provision for impairment of fixed assets	**8,310**	26,479
Provision for impairment of intangible assets	**5,936**	–
Provision for impairment of construction in progress	**305**	1,791
Total	**2,089,634**	551,170

9. INCOME TAX EXPENSES

Unit: RMB thousand

	2016	2015 (Restated)
Current income tax calculated based on tax law and related regulations	**985,708**	917,524
Movements in deferred income tax	**(18,640)**	34,301
Total	**967,068**	951,825

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

Unit: RMB thousand

	2016	2015 (Restated)
Profit before tax	**1,702,051**	3,302,470
Income tax calculated at applicable tax rates	**340,144**	823,294
Effect of tax incentive	**(112,254)**	(169,656)
Expenses not deductible for tax purposes	**122,230**	110,624
Income not subject to tax	**(1,958)**	(63,761)
Tax effect of utilisation of previously unrecognised tax losses on deferred tax assets	**(41,584)**	(167,820)
Unrecognised tax losses	**362,965**	295,360
Deductible temporary differences for which no deferred tax asset was recognised in previous years	**340,729**	–
Tax effect of utilisation of deductible temporary differences of previously unrecognised deferred tax assets	**(38,008)**	(25,525)
Effect of tax rate change on deferred tax	**–**	8,810
Tax refund for income tax annual filing	**(5,302)**	1,490
Releasing provisions for previously recognised deferred tax assets	**–**	157,339
Releasing tax provisions for profit of foreign holding companies in current year	**106**	(18,330)
Income tax expense	**967,068**	951,825

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

	2016	2015
The Company	**25%**	25%
Subsidiaries registered in China	**15-25%**	15-25%
Subsidiaries registered in Hong Kong	**16.5-25%**	16.5-25%
Subsidiary registered in Suriname	**36%**	36%
Subsidiary registered in Cambodia	**20%**	20%
Subsidiary registered in US	**15-35%**	15-35%
Subsidiary registered in Germany	**15.83-31.6%**	15.83-31.6%
Subsidiary registered in Britain	**20%**	20%
Subsidiary registered in Australia	**30%**	30%
Subsidiary registered in the Netherlands	**25.5%**	25.5%
Subsidiary registered in Belgium	**34%**	34%
Subsidiary registered in Denmark	**23.5%**	23.5%
Subsidiary registered in Poland	**19%**	19%
Subsidiary registered in Thailand	**20%**	20%
Subsidiary registered in Singapore	**17%**	17%
Subsidiary registered in Sweden	**26.3%**	26.3%

10. EARNINGS PER SHARE

(1) Basic earnings per share

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

	2016	2015 (Restated)
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company	**539,660**	2,026,613
Effect of issue of perpetual bonds	**(119,792)**	(51,900)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)	**419,868**	1,974,713
Weighted average number of ordinary shares outstanding ('000)	**2,978,296**	2,681,116
Basic earnings per share (RMB per share)	**0.14**	0.74
Including: Going concern basic earnings per share	**0.14**	0.74

(2) Diluted earnings per share

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

	Note	**2016**	2015 (Restated)
Consolidated net profit attributable to ordinary shareholders and other equity holders of the Company		**539,660**	2,026,513
Effect of issue of perpetual bonds		**(119,792)**	(51,900)
Effect of subsidiaries' share option program		**–**	(4,113)
Consolidated net profit attributable to ordinary shareholders of the Company (adjusted)		**419,868**	1,970,600
Weighted average number of ordinary shares outstanding of the Company (diluted) ('000) (adjusted)	*(a)*	**2,984,119**	2,698,523
Diluted earnings per share (RMB per share)		**0.14**	0.73

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

	2016	2015
Weighted average number of ordinary shares outstanding ('000)	**2,978,296**	2,681,116
Effect of share options of the Company ('000)	**5,823**	17,407
Weighted average number of ordinary shares outstanding (diluted) ('000)	**2,984,119**	2,698,523

The Board of the Company was authorised to grant 60,000,000 share options (2.01% of the total of 2,978,576,986 shares issued by the Company) to the senior management and other staff.

11. SEGMENT REPORTING

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

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

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

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

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

Unit: RMB thousand

Item	Containers 2016	Road transportation vehicles 2016	Energy, chemistry and liquid food equipment 2016	Offshore engineering 2016	Airport facilities equipment 2016	Logistics services 2016	Finance 2016	Property development 2016	Heavy trucks 2016	Others 2016	Elimination between segments 2016	Total 2016
External revenue	10,521,948	14,462,631	9,093,044	459,747	3,213,229	7,081,494	2,302,412	895,106	1,641,820	1,440,221	-	51,111,652
Inter-segment revenue	545,051	232,051	260,742	3,845,883	-	47,962	-	(172,016)	83,946	779,355	(5,622,974)	-
Cost of sales from principal operations	9,672,008	11,838,314	7,414,373	3,809,783	2,496,377	6,300,173	1,012,075	379,143	1,685,239	1,930,739	(5,519,215)	41,019,009
Investment income/(losses) in associates and joint ventures	(998)	(3,107)	(2,070)	-	14,585	61,632	17,403	4,703	1,946	(6,828)	-	87,266
Assets impairment losses	18,016	152,894	1,464,867	(19,232)	22,025	43,998	292,880	(135)	94,583	1,003	18,735	2,089,634
Depreciation and amortisation expenses	417,648	275,135	282,341	342,384	125,851	118,727	189,279	12,280	134,951	293,234	-	2,191,830
Interest income	157,579	67,766	51,424	96,384	2,101	12,121	213,585	33,639	2,686	1,185,665	(1,680,615)	142,335
Interest expenses	31,240	90,022	72,028	331,438	18,845	37,326	144,493	16,363	93,606	1,172,147	(1,105,650)	901,858
Total profit/(losses)	489,836	1,028,130	(736,026)	(206,377)	156,989	503,603	913,964	190,217	(354,182)	203,537	(487,640)	1,702,051
Income tax expenses	126,347	261,317	157,081	6,247	25,986	144,177	90,311	36,424	(29,492)	111,035	37,635	967,068
Net profit/(losses)	363,489	766,813	(893,107)	(212,624)	131,003	359,426	823,653	153,793	(324,690)	92,502	(525,275)	734,983
Total assets	16,678,921	14,944,863	13,548,051	32,691,493	3,718,616	4,633,572	36,497,514	3,172,175	4,289,499	39,707,987	(45,267,943)	124,614,748
Total liabilities	8,597,535	7,735,967	9,120,841	30,739,199	2,288,967	3,275,908	29,345,686	1,571,309	3,874,014	43,797,506	(54,866,976)	85,479,956
Other material non-cash items:												
– Other non-cash expenses/(income) other than depreciation and amortisation	(250,332)	49,470	1,396,933	88,898	16,051	48,348	296,255	(155)	92,132	(667,427)	230,504	1,300,677
– Long-term equity investments of associates and joint ventures	30,129	105,392	10,387	33,288	485,275	509,225	396,362	104,192	196,155	291,814	-	2,162,219
– The amount of additions to non-current assets other than long-term equity investment, financial assets and deferred tax assets	911,137	1,715,136	323,296	427,645	262,359	239,856	1,777,109	74,813	62,455	720,965	2,294,042	8,808,813

Segment information as at and for the year ended 31 December 2015 is as follows:

Unit: RMB thousand

Item	Containers 2015	Road transportation vehicles 2015	Energy, chemistry and liquid food equipment 2015	Offshore engineering 2015	Airport facilities equipment 2015	Logistics services 2015	Finance 2015	Property development 2015	Heavy trucks 2015	Others 2015	Elimination between segments 2015	Unallocated items 2015	Total 2015 (Restated)
External revenue	20,539,598	12,712,235	8,811,757	1,603,513	2,819,980	7,680,472	1,791,929	1,103,606	750,970	871,744	–	–	58,685,804
Inter-segment revenue	531,571	149,324	493,324	6,353,445	–	119,526	–	188,272	105,489	282,026	(8,222,977)	–	–
Cost of sales from principal operations	17,265,511	10,176,577	7,395,342	7,221,814	2,173,699	7,048,656	620,569	839,871	895,947	931,828	(7,171,092)	–	47,398,722
Investment income/(losses) in associates and joint ventures	(1,007)	1,723	678	–	–	29,112	11,988	207,810	(9,976)	(758)	–	2,079	241,649
Assets impairment losses	42,293	98,527	24,624	4,963	8,500	38,008	289,891	855	54,815	1,888	(11,307)	(1,887)	551,170
Depreciation and amortisation expenses	390,027	247,384	219,289	270,902	167,700	165,958	202,007	16,283	132,717	6,055	–	62,509	1,880,831
Interest income	265,045	53,313	35,492	157,267	1,673	10,961	189,358	18,515	6,635	847,075	(1,539,304)	26,353	72,383
Interest expenses	83,090	92,167	65,380	224,619	22,148	59,372	109,982	29,655	117,728	38,536	(1,281,470)	936,453	497,660
Total profit/(losses)	1,319,307	737,229	642,593	13,837	63,395	145,620	802,749	390,761	(328,611)	(166,615)	(119,859)	(197,936)	3,302,470
Income tax expenses	323,234	164,848	167,470	25,708	1,079	44,637	29,050	50,988	76,166	25,245	(13,836)	57,236	951,825
Net profit/(losses)	996,073	572,381	475,123	(11,871)	62,316	100,983	773,699	339,773	(404,777)	(191,860)	(106,023)	(255,172)	2,350,645
Total assets	18,486,132	10,922,436	13,542,110	29,872,981	3,324,900	4,169,531	23,495,376	4,258,299	3,871,077	5,931,754	(17,098,043)	6,280,512	107,057,065
Total liabilities	10,766,411	5,768,905	7,948,597	29,579,796	2,027,418	3,191,294	19,799,616	3,129,906	3,856,221	2,552,442	(50,552,665)	33,268,209	71,336,150
Other material non-cash items:													
– Other non-cash expenses/(income) other than depreciation and amortisation	(63,831)	74,613	(16,091)	220,680	(1,061)	24,221	299,752	1,022	53,873	(64,015)	(11,307)	162,314	680,170
– Long-term equity investments of associates and joint ventures	55,552	61,524	4,678	–	–	512,934	170,510	319,488	193,831	697,211	–	20,639	2,036,367
– The amount of additions to non-current assets other than long-term equity investment, financial assets and deferred tax assets	1,293,041	595,316	708,469	4,630,629	688,978	333,190	7,314,797	42,481	195,887	879,363	–	4,889	16,687,040

12. CONTINGENCIES

(1) Contingent liabilities

CIMC Raffles, a subsidiary of the Group, entered into drilling platform construction contracts with relevant purchasers, which involve terms of compensation for delivery postponement. For certain contracts, the management expected the risk of delivery postponement which will incur the compensation is high, therefore the management decided to accrue a provision of estimated liabilities amounted to USD3,650,000 (equivalent to RMB25,320,000) (31 December 2015: USD8,225,000 (equivalent to RMB53,410,000)) in accordance with both the daily compensation amount written in the contracts and the expected postponed days with highest chance. In addition, the drilling platform construction contracts entered by CIMC Raffles and purchasers involve terms of quality guarantees, as at 31 December 2016, the Group has accrued a quality guarantee balance on delivered projects amounting to USD5,964,000 (equivalent to RMB38,150,000) (31 December 2015: Nil)

Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd. (YZTH) (a subsidiary of the Group) provided guarantee to the mortgage loans by which some of its clients bought its mixer trucks, but some of the loans repayments have been overdue severely, the management expected there is possibility for YZTH to repay the loans for the clients, therefore they decided to accrue a provision amounting to RMB19,778,000 (31 December 2015: RMB26,530,000).

(2) Guarantees provided for external parties

CIMC Raffles, a subsidiary of the Group, provided guarantees to its customers by way of vessel leasing. As at 31 December 2016, amounts of the guarantees were approximately RMB382,000,000 (31 December 2015: RMB477,500,000).

CIMC Vehicle Group, a subsidiary of the Group, signed contracts with China Merchants Bank, China Everbright Bank, China Construction Bank, Bank of Communications, Bank of China and CIMC Finance Company, pursuant to which relevant banks provided guarantees in respect of banking facilities granted to the distributors and customers of CIMC Vehicle Group and its holding subsidiaries arising from purchase of vehicle products. As at 31 December 2016, the aggregate amount of credit facilities in respect of which CIMC Vehicle Group and its holding subsidiaries provided guarantees to the distributors and customers was approximately RMB1,031,416,000 (31 December 2015: RMB809,315,000).

CIMC Tianyu, and external banks provided guarantees to purchasers of commodity homes by the way of secured loans. The amount of guarantees provided by the Group was RMB733,443,000 as at 31 December 2016 (31 December 2015: RMB537,417,000).

C&C Trucks, a subsidiary of the Group, and its holding subsidiaries signed contracts with external banks, pursuant to which relevant banks provided guarantees in respect of banking facilities granted to the distributors and customers of them arising from purchase of vehicle products. As at 31 December 2016, 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 RMB386,879,000 (31 December 2015: Nil).

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

The Group does not recognise notes payable or letters of credit issued as deposits. Corresponding inventories, advance to suppliers and notes payable are recognised at the earlier of the date of delivery of goods and the maturity date of the bills issued. As at 31 December 2016, the Group had notes payable issued but not accounted for and outstanding letters of credit of RMB935,125,000 and RMB207,888,000, respectively, totalling RMB1,143,013,000 (31 December 2015: RMB1,022,074,000).

As at 31 December 2016, balance of outstanding guarantees issued by the parent company of the Group for the subsidiaries of the Group was RMB915,000,000 and USD20,000,000 (equivalent to RMB138,740,000), totalling RMB1,053,740,000.

As at 31 December 2016, CMIC Raffles, a subsidiary of the Group, had outstanding balance of guarantees issued by relevant banks totalling USD130,565,000 (equivalent to RMB905,730,000), of which the balance of advance payment guarantees, quality guarantees and performance guarantees were USD106,120,000 (equivalent to RMB736,154,000), USD21,753,000 (equivalent to RMB150,904,000) and USD2,692,000 (equivalent to RMB18,672,124)) respectively (total balance as at 31 December 2015: RMB986,776,000).

As at 31 December 2016, the Group's subsidiary CIMC Enric and its subsidiaries had outstanding balance of guarantees issued by relevant banks totalling RMB779,018,000, of which balance of performance guarantees and prepayment guarantees was RMB420,801,000, and balance of advance payment guarantees was RMB358,177,000 (total balance as at 31 December 2015: RMB777,036,000).

As at 31 December 2016, CIMCSV, a subsidiary of the Group, had outstanding balance of performance guarantees issued by banks amounting to RMB442,000 (31 December 2015: Nil).

As at 31 December 2016, TLC, a subsidiary of the Group, had outstanding balance of guarantees issued by banks totalling RMB2,844,000, of which the balance of performance guarantees and bid guarantees were RMB798,000 and RMB2,046,000, respectively (31 December 2015: Nil).

As at 31 December 2016, Qingdao Reefer (青島冷箱), a subsidiary of the Group, had outstanding balance of performance guarantees issued by relevant banks amounting to RMB10,478,000 (31 December 2015: Nil).

As at 31 December 2016, CIMC Tianda, a subsidiary of the Group, had outstanding balance of guarantees issued by banks amounting to RMB682,818,000 (31 December 2015: RMB625,391,000), of which balance of performance guarantees, quality guarantees, bid guarantees and payment guarantees was RMB372,613,000, RMB39,587,000, RMB22,867,000 and RMB247,751,00, respectively.

As at 31 December 2016, balance of outstanding guarantees issued by CIMC Finance Company, a subsidiary of the Group, for our subsidiaries were RMB28,396,000, of which balance of performance guarantees, quality guarantees, margin guarantees and payment guarantees was RMB17,488,000, RMB1,708,000, RMB7,200,000 and RMB2,000,000 (31 December 2015: Nil), respectively.

As at 31 December 2016, Zhenhua Logistics (振華物流), a subsidiary of the Group, had outstanding balance of performance guarantees issued by relevant banks amounting to RMB42,125,000 (31 December 2015: Nil).

(4) Significant pending litigations

CIMC Raffles, a subsidiary of the Company, entered into drilling platform construction contracts with relevant purchasers, and the platform had been delivered to them in 2015. The purchasers believed that the deliverables could not fulfil the technical requirements written in the construction contract, hence they asked CIMC Raffles to pay them compensation amounting to USD2,000,000. As at the date of the Announcement, the final result of the litigation has not been reached. The management expected that there was a high risk to pay the compensation, hence they decided to accrue a provision of estimated liabilities valued USD2,000,000 (equivalent to RMB13,874,000) in 2016 (31 December 2015: RMB12,987,000).

13. COMMITMENTS

Capital commitments

Unit: RMB thousand

	2016	2015
Fixed assets purchase contracts entered but not performed or performed partially	**108,730**	10,657
External investment contracts entered but not performed or performed partially	**129,423**	556,006
Vessels manufactured for sales or lease	**179,633**	383,489
External investments approved by the Board	**–**	10,029
Total	**417,786**	960,181

The Group's share of the joint ventures' own commitments for capital expenditure are as follows:

Unit: RMB thousand

	31 December 2016	31 December 2015
Buildings, machinery and equipment	**–**	10,029

14. NET CURRENT ASSETS

Unit: RMB thousand

	The Group	
	31 December 2016	31 December 2015 (Restated)
Current assets	**53,352,031**	43,530,325
Less: Current liabilities	**46,249,215**	45,922,271
Net current assets	**7,102,816**	(2,391,946)

	The Company	
	31 December 2016	31 December 2015
Current assets	**20,556,728**	18,581,257
Less: Current liabilities	**6,865,134**	12,652,519
Net current assets	**13,691,594**	5,928,738

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB thousand

	The Group	
	31 December 2016	31 December 2015 (Restated)
Total assets	**124,614,748**	107,057,065
Less: Current liabilities	**46,249,215**	45,922,271
Total assets less current liabilities	**78,365,533**	61,134,794

	The Company	
	31 December 2016	31 December 2015
Total assets	**30,531,601**	27,836,485
Less: Current liabilities	**6,865,134**	12,652,519
Total assets less current liabilities	**23,666,467**	15,183,966

9 REPURCHASE, SALE OR REDEMPTION OF SHARES

The Group or any of its subsidiaries did not sell any listed securities of the Company or any of its subsidiaries, nor did it repurchase or redeem any of the securities of the Company during the twelve months ended 31 December 2016.

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

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

11 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Corporate Governance Code A.2.7 requires that "The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present". The Company has only one executive director and the Company's business operation is managed and monitored by the executive director. The directors consider that during the Reporting Period there is no meeting 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 year.

Corporate Governance Code A.6.7 requires that "Independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders". PAN Zhengqi, an independent non-executive director, failed to attend the 2015 annual general meeting, the first 2016 A shareholders' class meeting and the first 2016 H shareholders' class meeting due to work reasons; PAN Chengwei and WONG Kwai Huen, Albert failed to attend the first 2016 extraordinary general meeting due to work reasons; and Mr. WANG Yuhang, Mr. WANG Zhixian and Mr. LIU Chong failed to attend the first 2016 extraordinary general meeting due to work reasons.

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 2016.

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

Hong Kong, 27 March 2017

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