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

中國國際海運集裝箱(集團)股份有限公司

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

(Stock Code: 2039)

ANNOUNCEMENT REGARDING THE PROVISIONS FOR ASSET IMPAIRMENT IN 2018

This announcement is published by China International Marine Containers (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) in Mainland China pursuant to the provisions of the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and is made simultaneously in Hong Kong pursuant to Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Inside Information Provisions (as defined under the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

I. SUMMARY OF PROVISIONS FOR ASSET IMPAIRMENT

In accordance with relevant requirements under the PRC Accounting Standards for Business Enterprises and the Guidelines for the Standardised Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, having communicated with PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company, the Group made a total provision of RMB2,819,708,000 for the asset impairment (the “**Impairment Provision**”) for the year 2018 (the “**Reporting Period**”) under the principle of prudence and for the purpose of reflecting the financial conditions and asset value of the Company as at 31 December 2018 in a more truthful and accurate manner.

II. BASIS OF PROVISION FOR ASSET IMPAIRMENT AND DETAILS OF THE PROVISION

In 2018, in accordance with the relevant provisions and requirements under the PRC Accounting Standards for Business Enterprises and relevant accounting management rules of the Company, the Group re-calculated and handled the accounting matters of the provision amounts for impairment of various assets, and made an additional provision of RMB2,819,708,000 for asset impairment for the year, with details set out as follows:

(Currency unit: RMB thousand)

	31	Change in accounting policy	1	Increase in current year	Decrease in current year		Translation impact of foreign currency statement	31
	December 2017		January 2018		Reversal	Resale		December 2018
Bad debt provision for notes receivable and accounts receivable	757,177	78,927	836,104	161,196	(62,650)	(77,013)	5,825	863,462
Bad debt provision for other receivables	396,543	61,228	457,771	9,246	(6,145)	(29,860)	(5,883)	425,129
Bad debt provision for long-term receivables (including current portion of non-current assets)	864,992	36,734	901,726	180,944	(2,615)	(19,733)	145	1,060,467
Impairment provision for available-for-sale financial assets	3,065	(3,065)	-	-	-	-	-	-
Impairment provision for contract assets	-	32,714	32,714	23,517	-	(19,854)	831	37,208
Sub-total	2,021,777	206,538	2,228,315	374,903	(71,410)	(146,460)	918	2,386,266
Bad debt provision for prepayments	282,417	-	282,417	2,730	(1,455)	(242,297)	49	41,444
Diminution provision for value of inventories and impairment provision for contract performance cost	374,359	(32,714)	341,645	999,106	(17,726)	(18,669)	26,002	1,330,358
Impairment provision for long-term equity investments	2	-	2	2,608	-	-	-	2,610
Impairment provision for fixed assets	290,020	-	290,020	199,186	-	(7,613)	8,207	489,800
Impairment provision for construction in progress	1,320	-	1,320	991,878	-	(777)	34,653	1,027,074
Impairment provision for intangible assets	163,307	-	163,307	38,640	-	-	3,744	205,691
Impairment provision for goodwill	173,123	-	173,123	210,657	-	-	(2,185)	381,595
Sub-total	1,284,548	(32,714)	1,251,834	2,444,805	(19,181)	(269,356)	70,470	3,478,572
Total	3,306,325	173,824	3,480,149	2,819,708	(90,591)	(415,816)	71,388	5,864,838

The basis of and reasons for provision for impairment of major asset items in the Impairment Provision are as follows:

(1) Impairment provision for financial instruments

1. Basis of provision:

The Group has implemented the Accounting Standards for Business Enterprises No. 22, to make provision for loss of financial assets based on expected credit losses (ECL).

2. Reasons for and details of provision:

During the Reporting Period, the total provision for impairment of financial instruments of the Group was RMB374,903,000, which mainly included:

- (1) RMB161,196,000 of bad debt provision for notes receivable and accounts receivable;
- (2) RMB9,246,000 of bad debt provision for other receivables;
- (3) RMB180,944,000 of bad debt provision for long-term receivables (including current portion of non-current assets); and
- (4) RMB23,517,000 of bad debt provision for contract assets.

(2) Bad debt provision for prepayments

1. Basis of provision:

When the recoverable amount of the prepayment is less than its book value, the Group makes bad debt provision for the advances.

2. Reasons for and details of provision:

During the Reporting Period, the total bad debt provision for prepayments of the Group was RMB2,730,000.

(3) Diminution provision for value of inventories

1. Basis of provision:

The Group regularly estimates the net realizable value of inventories, and recognizes the diminution loss of inventory for the difference between the inventories cost and the net realizable value.

2. *Reasons for and details of provision:*

During the Reporting Period, the diminution provision of the inventory and the impairment provision of contract performance cost of the Group totaled RMB999,106,000, which was mainly due to the diminution provision made by the Group for the machines and equipment of its offshore engineering projects as well as some raw materials, works in progress and finished products that were in price decline, sluggish or scrapped status.

(4) Impairment provision for long-term assets

1. *Basis of provision:*

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, it is determined through the recoverable amount of the group of assets to which the asset belongs. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the book value of goodwill is allocated to the related asset groups or combination of asset groups which are expected to benefit from the synergies of the business merger. If the result of the test indicates that the recoverable amount of an asset group or combination of asset groups, including the allocated goodwill, is lower than its book value, the corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or combination of asset groups, and then deducted from the book value of other assets within the asset groups or combination of asset groups in proportion to the book value of assets other than goodwill.

2. *Reasons for and details of provision:*

- (1) During the Reporting Period, the provision for the Group's long-term equity investments totaled RMB2,608,000, which was mainly due to the impairment provision made by CIMC Enric Holdings Limited (a subsidiary of the Group) for its equity held in Jiuquan Enric Kunlun Cryogenic Machinery Co., Ltd.;

- (2) During the Reporting Period, the provision for the Group's fixed assets totaled RMB199,186,000, which was mainly due to the impairment provision made by the Group for its fixed assets such as offshore engineering equipment, transportation, machinery and equipment, plants and buildings;
- (3) During the Reporting Period, the provision for the Group's construction in progress totaled RMB991,878,000, which was mainly due to the impairment provision made by the Group for its construction in progress of Raffles H273 and H1284 projects;
- (4) During the Reporting Period, the provision for the Group's intangible assets totaled RMB38,640,000, which was mainly due to the impairment provision made by CIMC Vehicle (Group) Co., Ltd. (a subsidiary of the Group) for its trademark rights and customer relationships resulted from merger and acquisition of subsidiaries; and
- (5) During the Reporting Period, the provision for the Group's goodwill impairment totaled RMB210,657,000, which was mainly due to the impairment provision made by the Group for its goodwill from Bassoe Technology AB, C&C Trucks Co., Ltd. and Liaoning CIMC Hashenleng Gas Liquefaction Equipment Co., Ltd., etc.

III. IMPACT OF THE IMPAIRMENT PROVISION ON THE FINANCIAL CONDITION OF THE GROUP

Excluding the effect of reversal in the current period, the Impairment Provision will result in a decrease in the combined net profit of the Group for the year ended 31 December 2018 by a total of RMB2,819,708,000, which has been included in the consolidated financial report of the Group for 2018.

This announcement is available for reviewing on the website of the Company (<http://www.cimc.com>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

By order of the Board
China International Marine Containers (Group) Co., Ltd.
YU Yuqun
Company Secretary

Hong Kong, 27 March 2019

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