China International Marine Containers (Group) Co., Ltd.

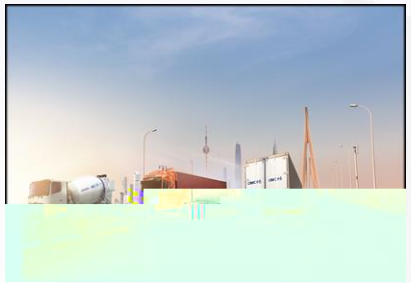
Annual Report of FY2016

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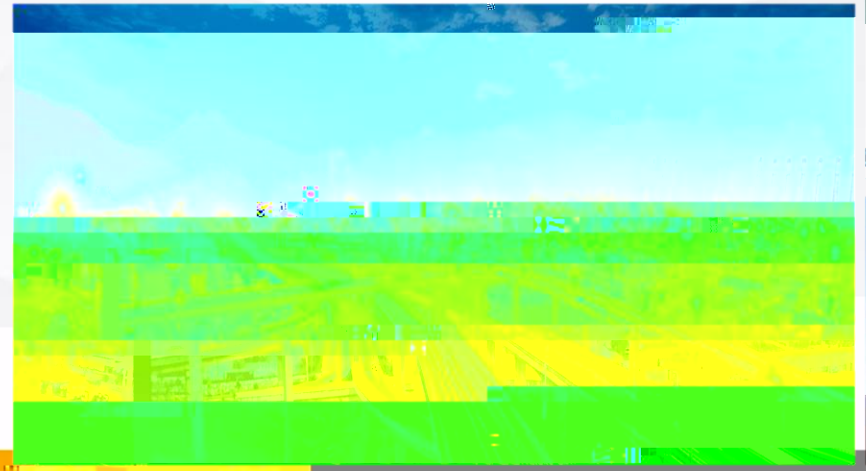
















2016

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1 Performance Overview



In 2016,under the complicating global economic situation and the volatile financial market .

- In the weak global economy in 2015 continued in 2016, with the international trade and investment remaining in the doldrums.
- Since the second half of 2016, the economic activities enhanced in the U.S.. The U.S. dollars enteredinto the rate increase cycle. The economy in the Eurozone basically held stable. The economicgrowth of Japan improved somewhat.Affected by the weak external demand, U.S.dollars appreciation and other factors, the emerging markets and developing economies saw theireconomic growth further slow down.
- 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 the structural reform of supply and the moderate expansion in aggregate social demand implemented by China, GDP growth remained at 6.7% during the year.

	FY2016	FY2015 Restated	Percentage change
Operating income thousand Yuan	51,111,652	58,685,804	(12.91%)
Operating cost thousand Yuan	800,538	3,039,854	(73.67%)
Net profit attributable to shareholders and other equity holders of the parent company thousand Yuan	539,660	2,026,613	(73.37%)
Basic earnings per share Yuan)	0.14	0.74	(81.08%)
Weighted average return on net assets	2%	8%	(6%)

- In 2016, the Group's revenue amounted to RMB51.112 billion (2015:RMB58.686 billion(restated)), and its net attributable to shareholders and other equity holders of the parent 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%

Under the influence of market downturn,the container manufacturing industry and the offshore engineering business fell sharply throughout the year of 2016.

The road transportation vehicle business alone with the airport facilities equipment business and the financial business achieved a rather rapid growth.

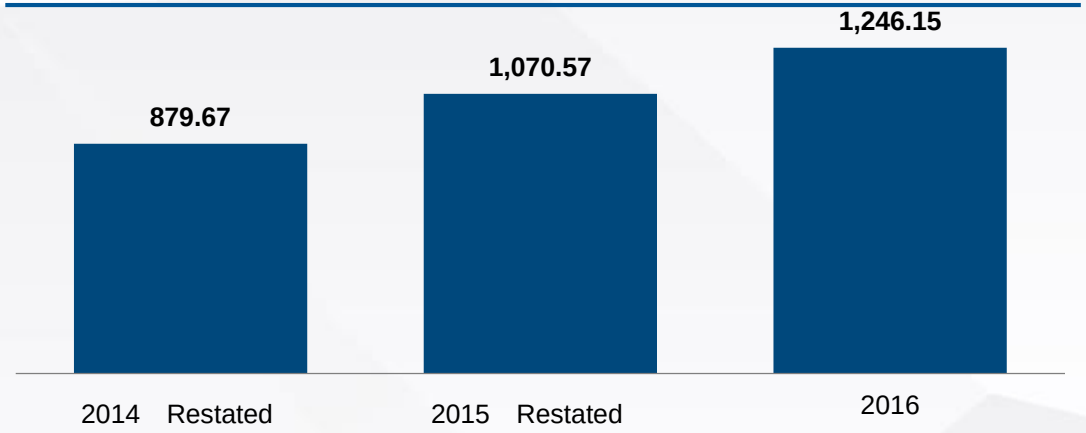
The energy, chemical and liquid food equipment business remained basically stable, but recorded substantial losses due to the significant provision provided for the termination of the acquisition of SOE.

The logistics service business remained basically stable; improvement on the heavy truck business continued; revenues from the real estate business declined due to the areas available for sales decreased.

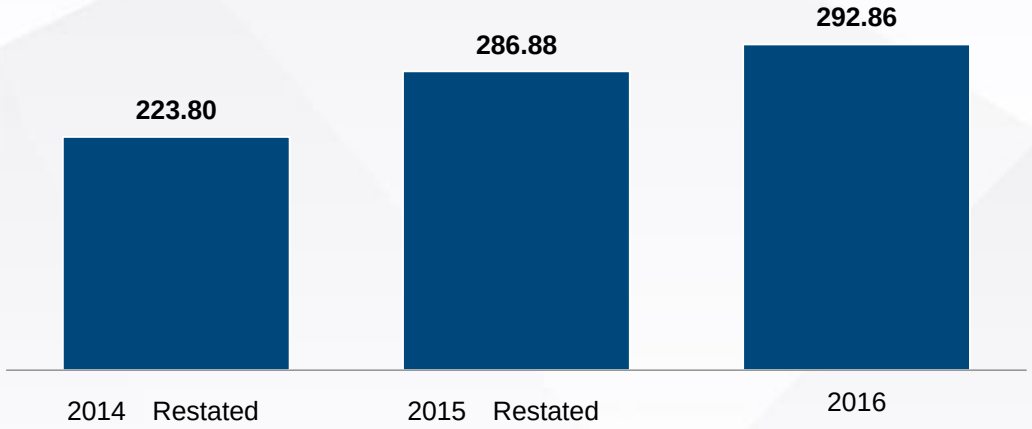
1 Performance Overview - *Financial Overview*

In the economic cycle fluctuations, the company continued to strengthen business diversification, to stabilize the cycle fluctuations, to achieve the steady growth of asset size.

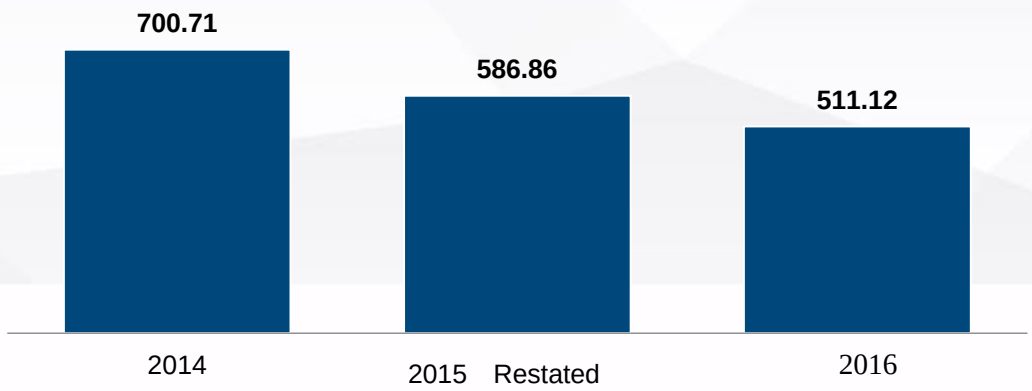
Total assets 100 million



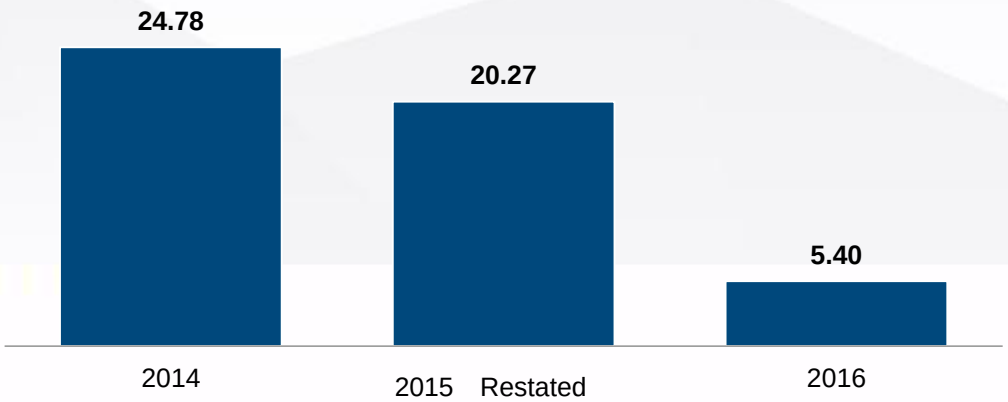
Net assets attributable to shareholders and other equity holders of the parent company 100 million



Operating income 100 million



Net profit attributable to shareholders and other equity holders of the parent company 100 million



1 Performance Overview - *Financial Overview*

Untill December 31st thousand Yuan	FY2016	FY2015 Restated	Increase/ Decrease
Total assets	124,614,748	107,057,065	16.40%
Total liabilities	85,479,956	71,336,150	19.83%
Short-term loan	15,729,787	17,909,024	(12.17%
Long term loan	27,023,222	23,684,838	14.10%
Equity attributable to shareholders and other equity holders of the parent company	29,285,970	28,687,635	2.09%
Total equity attributable to shareholders	39,134,792	35,720,915	9.56%
Asset-liability ratio	68.60%	66.63%	1.97%

Untill December 31st thousand Yuan	FY2016	FY2015	Increase/ Decrease
Net cash flows from operating activities	2,341,619	(3,610,223)	164.8%
Net cash flows from investing activities	(6,854,655)	(12,584,781)	45.53%
Net cash flows from financing activities	7,511,046	16,505,663	(54.49%)



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Industry background

- 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.
- The container business develops its own demandsand cyclical effect. an accumulation of previous flat demand and the tightened container liquidity resulting from the bankruptcy protection incident of Hanjin Shipping in the late third quarter of 2016, the container demand saw a greater improvement since the fourth quarter of 2016.
- Represented by the new Law on the Prevention and Control of Atmospheric Pollution, a series of environmental protection laws and regulations and action plans were enacted, promulgated and carries out in mainland 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.
- All in all, under the influence of market downturn in the first three quarters, the overall output of the container manufacturing industry fell sharply throughout the year of 2016.

- The container business recorded revenue of RMB11.067 billion, representing a year-on-year decrease of 47.48%, and

Business operating situation

- ✓ The container production base relocation project of the Group in Dongguan Fenggang and 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.
- ✓ The Group completed technology transformation for the sorth China of the container production lines in regard to the application of waterbased paint during the production off-season.
- ✓ In December 2016, Shanghai CIMC Reefer Containers Co., Ltd.,a holding 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 with a site area of 290.55 mu.



Industry Development Trend and Prospect

- In respect of the container manufacturing business, CLARKSON (a British institution for dynamic analysis of shipbuilding and marine trade) predicts the growth of global container trade would be 3.2% in 2016. It also predicts 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 facilitates 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 experienced low 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 2016, 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-



Business operating situation

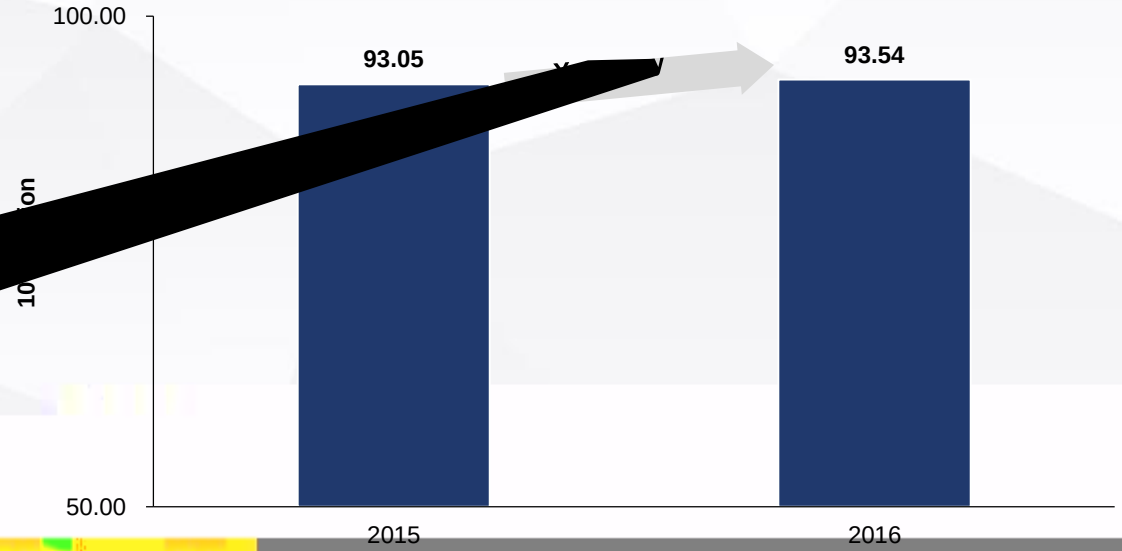
- In 2017, it is expected that the overall economy of the United States will be buoyant while the semi-trailer industry in the United States will begin to experience periodical downturn. The economic recovery of the European Union is relatively weak. The external environment faced with by emerging markets shows improvement.
- The downturn pressure of China’s macro-economy increases and the real

Industry background

- In 2016, as the oil price in the international market began to rise after it reached rock bottom, using natural gas as an alternative fuel to replace oil regained its attraction, the scale of costal exported nature gas was expanded and market demand for natural gas storage and transportation equipment gradually increased.the Group’s energy, chemical and liquid food equipment business recorded a year-on-year decrease in its revenue.
- Affected by the termination of the acquisition of SinoPacific Offshore & Engineering Co., Ltd (“SOE”) and the significant provision made by CIMC Enric for such termination, the net profit of the energy, chemical and liquid food equipment business of the Group recorded a significant loss during the Reporting Period.

Business operating situation

- The energy, chemical and liquid food equipment business of the Group recorded revenue of RMB9,354 million, representing a year-on-year increase of 0.52%. The net loss was RMB893 million, representing a year-on-year decrease of 287.97%.
- The revenue from the energy equipment business under the three main business segments of CIMC Enric was RMB3,241 million, representing a year-on-year decrease of 4.59%; the revenue from the chemical equipment business was RMB2,472 million, representing a year-on-year decrease of 8.78%; and the revenue from the liqui… equipment business was RMB2,255 million, representing a year-on… 5.62%.



Business operatin

The Energy equip segment

- Actively explore nev onduct a number of successful R & D projects during the year, rese pment a series of Key equipment, Such as th first international CN and supporting mother-son station Nucl fuel transport and sys y developed products have been launch
- In addition, also comm nuous innovation of products an market layout.

The chemical equipmen

- Carried out all kinds of R&D proje successful R&D of 40-feet new international LNG tank containers of high performance and 20-feet internationally applied cryogenic tank containers, conducted the pilot R&D project of water-land LNG tank containers transport, and established security standards system of water-land LNG tank containers transport.
- Additionally, strived in developing internet of things in tank containers, providing the relevant surveillance and management platforms and service-integrated overall solutions for chemical logistics chain.

The liquid food equipment businurity

Industry Develo spects and Outlook

The “Thirteenth Five Year Development issued by t National Energy Administ ets out the target of natura consumption accounting fo y energy consumption in (2015: 5.9%).

The Natural Gas Develop hina (2016) jointly issued il and Gas Bureau of the Administration, Resourc opment Research Ins opment and Research Cen cil and Strat enter of Oil and Gas Reso f Land and R aries a series of policies f use of natur

- In the 2017 Government Work Report, 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.

surveillance



2016 Operation situation

- By the end of 2016, the total contract amounts of CIMC Raffles’ orders in hand approached approximately



2016 Industry Background

- ✓ In 2016, the domestic logistics industry generally maintained stable with quality improved.
- ✓ The logistics industry was focusing on integration, actively explored the network building along the “Yangtze River Economic Belt” and the “Belt and Road”, with deepening merger and restructuring,



Industry Development Prospects and Outlook

- In 2017, the domestic logistics industry will maintain the basic trend of stabilising and turning positive steadily.
- Although the anaemic 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 would affect the development of the related logistics industry, the social logistics related to consumption such as e-commerce, cold chain, express delivery and distribution will continue to grow rapidly. More developing opportunities will appear in approaches such as asset-light platform, alliance, franchise and cooperation. The ,mergers and reorganizations 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, although may also



- 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” state
- The domestic heavy truck industry recovered, road transportation products such as high-horsepower tractor and coal, hazardous chemical, express delivery, cold chain and artery segment markets achieved fast growth, and demands for engineering vehicles such as muck trucks and gravel transportation vehicles which declined steeply for two years also recovered.

2016 Industry Background

- In 2016, the global demand for

2016 Operation situation

- The airport facilities equipment business recorded sales revenue of RMB3.213 billion, representing a year-on-year increase of 13.95%; achieved net profit of RMB131 million, representing a year-on-year increase of 110.22%;
- In 2016, the significant 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.



Industry Development Prospects and Outlook

- In 2017, the

- **The industrial city development business** - the operating results were relatively stable with good development trend

✓ The land demolition project of Shanghai CIMC Reefer Containers achieved results in a phased manner, the municipality of Shanghai completed the land resumption. The Group will participate in the recently-held listing-for-bidding of the land with a plan to build an urban complex project following the successful bidding

✓ 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.



Other Businesses - Modular Building business

- The Group established CIMC Modular Building Investment Company based on the original Modular Building business. A one-stop service model of “manufacturing + finance + service” covering manufacturing and financing services was developed leveraging the manufacturing and contracting service mode.

✓ The international market

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 recognized by the main student apartment developers in England and CIMC has become a main

Other Businesses - Multimodal transport business

✓ About Multimodal transport business

Multimodal transport provides integrated freight transportation services through the effective link-up of two or more ways of transportation based on the standard equipments. At the 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.



Future Outlook

Container manufacturing business



- ✓ **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, also will propel initiatives in respect of structure adjustments, such as making adjustments to optimise the production capacity and

Road transportation vehicle business



Energy, chemical and liquid food equipment business



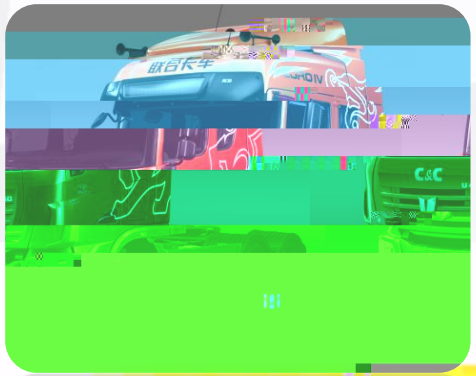
Future Outlook



- ✓ Expanding business scope, deeply exploring 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 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.

- ✓ Further strengthening culture integration and building in its logistics services business, optimising the business structure and oganisational 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.
- ✓ Enhancing the systematic management of investment and perfect the investment





Future Outlook

- 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 innovation with the consideration of industrial characteristics;

✓ Perfecting the human resource system; promoting risk management improvement;

✓ Managing reasonably to achieve improvement;

✓ C

Q&A